

Israel: Background and U.S. Relations

Jim Zanotti

Specialist in Middle Eastern Affairs

October 28, 2016

Congressional Research Service

7-5700

www.crs.gov

RL33476

Summary

Since Israel's founding in 1948, successive U.S. Presidents and many Members of Congress have demonstrated a commitment to Israel's security and to close U.S.-Israel cooperation. Perceptions of shared democratic values and religious affinities have contributed to strong bilateral ties. The question of Israel's security regularly influences U.S. policy considerations regarding the Middle East, and Congress provides active oversight of executive branch dealings with Israel and other actors in the region. Israel is a leading recipient of U.S. foreign aid and a frequent purchaser of major U.S. weapons systems. By law, U.S. arms sales cannot adversely affect Israel's "qualitative military edge" over other countries in its region. The two countries signed a free trade agreement in 1985, and the United States is Israel's largest trading partner.

Israel has many regional security concerns and aligning U.S. and Israeli policies to address these concerns has presented persistent challenges. In a dangerous and uncertain regional environment, Israel regularly seeks assurance that the United States will bolster its regional security standing and self-defense capabilities. A new U.S.-Israel memorandum of understanding will provide Israel with \$38 million in military assistance from FY2019 to FY2028, subject to congressional approval. In addition to concerns over Iran's regional position that have increased despite or because of the 2015 international agreement on Iran's nuclear program, Israel's perceptions of security around its borders have changed since 2011 as several surrounding Arab countries have experienced political upheaval. Israel has shown concern about threats from Hezbollah and other non-state groups in ungoverned or minimally governed areas in Syria, Lebanon, and Egypt's Sinai Peninsula, as well as from Hamas and other Palestinian terrorist groups in the Gaza Strip.

Israel's political impasse with the Palestinians continues. Israel has militarily occupied the West Bank since the 1967 Arab-Israeli war, with the Palestinian Authority exercising limited self-rule in some areas since the mid-1990s. Israeli Prime Minister Binyamin Netanyahu's commitment to a two-state solution could affect U.S. and international diplomatic initiatives. The Palestinians have advanced diplomatic and legal initiatives in various international fora despite U.S. and Israeli concerns about increasing international "isolation" of Israel. Activities facilitated by successive Israeli governments have resulted in approximately 580,000 Israelis living in residential neighborhoods or "settlements" in the West Bank and East Jerusalem. These settlements are of disputed legality under international law. Israel considers all of Jerusalem to be the "eternal, undivided capital of Israel," but Palestinians claim a capital in East Jerusalem and some international actors advocate special political classification for the city or specific Muslim and Christian holy sites. The Gaza Strip presents its own set of complicated challenges. Israel withdrew its permanent military presence and its settlers from the Gaza Strip in 2005, but it still controls most access points.

Israel has a robust economy and a vibrant democracy, though how to incorporate Arab citizens into the state and society remains challenging. Since late 2015, Israeli-Palestinian violence centered in Jerusalem and the West Bank has stoked domestic and international debate about Israel's dedication to the rule of law on matters involving Palestinians, and about the openness of Israel's political sphere and civil society to varying viewpoints. Continuing development of offshore natural gas finds raises the prospect of a more energy-independent future, while economic debates focus largely on cost-of-living and inequality issues. Various leaders vie for public support by interweaving ideology with ethnic, religious, demographic, socioeconomic, and national security considerations. Netanyahu's current governing coalition includes various right-of-center and religious parties.

Contents

Introduction	1
Country Background	3
Historical Overview	3
Political and Societal Evolution	4
Government and Politics	5
Overview	5
Current Government and Major Issues	6
Economy	8
Israeli Security Challenges	9
Strategic and Military Profile	9
After the Iran Nuclear Deal	10
Regional Threats from Hezbollah, Syria, and Sunni Jihadists	11
Egypt	13
Hamas and Gaza	14
Individual Palestinian Attacks	15
Concerns Regarding International Relationships	16
Key U.S. Policy Issues	17
Overview	17
Bilateral Differences and Overall Closeness	18
Bilateral Trade Issues	18
Security Cooperation	19
Background	19
Preserving Israel's Qualitative Military Edge (QME)	20
U.S. Security Guarantees?	21
U.S. Aid and Arms Sales to Israel	22
Aid	22
New Aid MOU	23
Arms Sales and Anti-Tunneling	25
End-Use Monitoring and Leahy Law Vetting	26
Missile Defense Cooperation	27
Pending Security Cooperation Legislation	28
Sensitive Defense Technology and Intelligence Issues	29
Israeli-Palestinian Issues	31
Peace Process Diplomacy and International Involvement	31
Overview	31
Outstanding Issues	33
The Path Ahead	34
Jerusalem	35
Settlements	41
General Overview	41
U.S. Policy	42

Figures

Figure 1. Israel: Map and Basic Facts	2
---	---

Figure 2. Greater Jerusalem.....	39
Figure 3. Jerusalem: Old City, U.S.-Relevant Sites, and Some Other Sites	40

Tables

Table 1. Israeli Security Cabinet Members	7
Table 2. U.S. Bilateral Aid to Israel.....	23
Table 3. Defense Budget Appropriations for U.S.-Israeli Missile Defense: FY2006- FY2017 Request.....	28

Appendixes

Appendix A. U.S.-Based Interest Groups Relating to Israel	45
Appendix B. Descriptions of Israeli Knesset Parties and Their Leaders.....	46

Contacts

Author Contact Information	48
----------------------------------	----

Introduction

U.S.-Israel defense, diplomatic, and economic cooperation has been close for decades. U.S. policymakers often consider Israel's security as they make policy choices in the Middle East. Israel has relied on U.S. support for its defense posture, despite reported private and sometimes public disagreements between U.S. and Israeli officials on how to respond to and prioritize various security challenges. Congress provides active oversight of the executive branch's dealings with Israel. Some Members of Congress have criticized actions by the Obama Administration and previous U.S. Administrations for being insufficiently supportive of Israel, and occasionally have authorized and appropriated funding for programs benefitting Israel at a level exceeding that requested by the executive branch. Other Members oppose what they describe as U.S. support of Israel without sufficient scrutiny of Israel's actions.

U.S. approaches to a number of challenges in the Middle East have implications for Israel. Israel has clashed with the Obama Administration over policy on Iran, which continues to be a top Israeli security concern. Israel has sought for years to stop Iran from pursuing a nuclear weapons capability. Prime Minister Netanyahu opposed the July 2015 international agreement on Iran's nuclear program (formally the "Joint Comprehensive Plan of Action," or JCPOA), but has acknowledged the need to adjust to a post-deal reality. The Obama Administration has attempted to reassure Israel that the United States remains committed to Israel's security. In September 2016, the two countries reached a new memorandum of understanding on security assistance that commits the United States to providing \$38 billion in new aid over the 10 years from FY2019 to FY2028 (see "New Aid MOU" below).

Israel has few means of influencing political outcomes in Egypt, Syria, Iraq, Lebanon, or Jordan, but internal developments in those states may also significantly affect Israeli security. Israel also remains threatened by rocket fire from Hamas and other terrorist groups in the Gaza Strip.

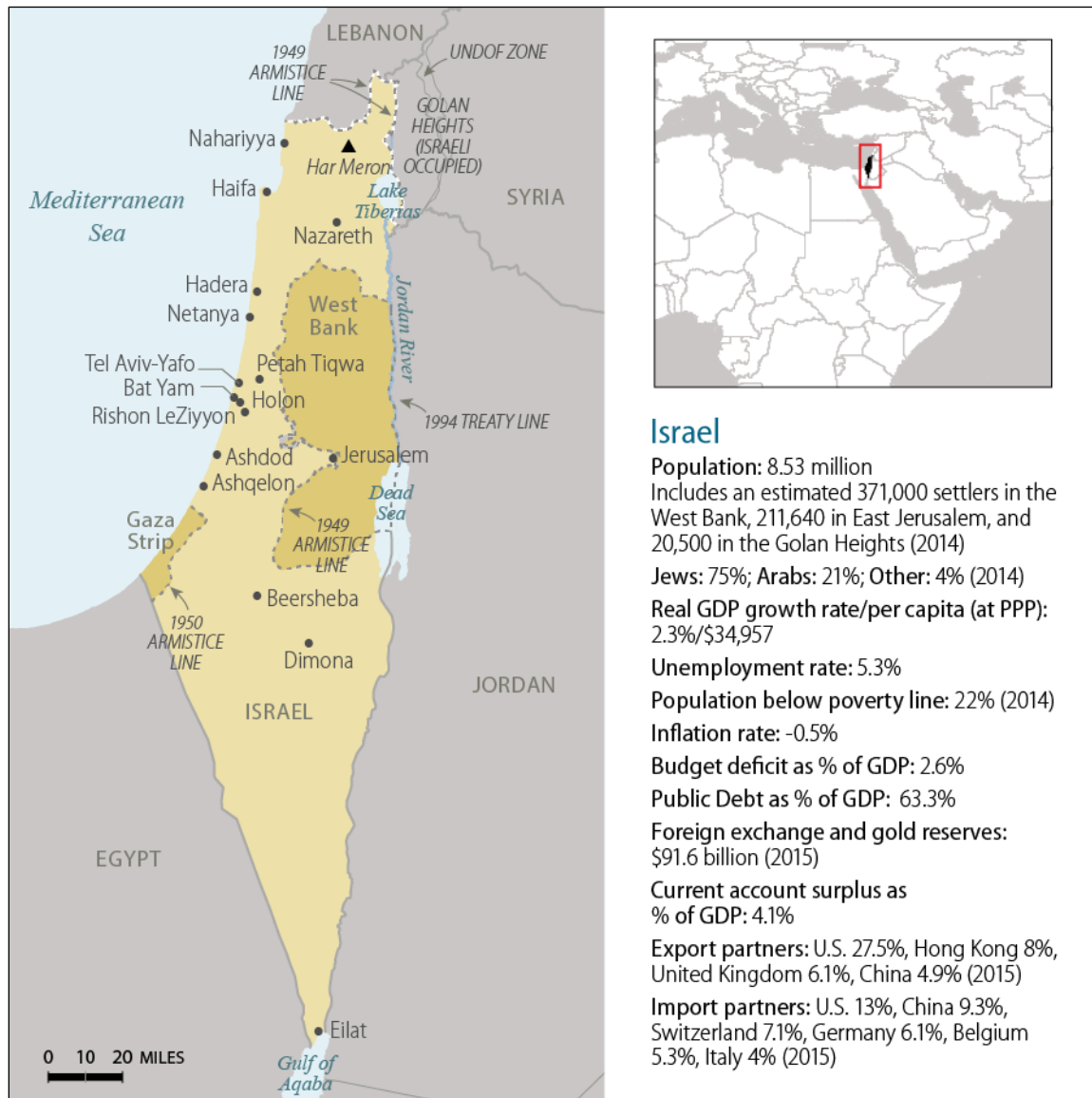
Additionally, since late 2015, several attacks by individual Palestinians (including a few by Arab citizens of Israel) have taken place against Jews in Israel, Jerusalem, and the West Bank. These attacks are related to the ongoing Israeli-Palestinian conflict. Political disputes continue over key issues including security parameters, Israel-West Bank borders, Jewish settlements, Palestinian refugees, and the status of Jerusalem. Hamas and other terrorist groups reportedly seek to use the tensions to spark wider conflict. Within and outside of Israel, observers vigorously debate whether Israeli officials and citizens will be able to curb either Palestinian attacks or the international criticism Israel faces regarding the various measures of control it exercises over Palestinians' lives. This debate proceeds in parallel with a larger debate about the future of Israel's democracy and its political and economic relations with the United States, Europe, and the rest of the world.

Continued failure by Israelis and Palestinians to make progress toward a negotiated solution could have a number of regional and global implications. Palestinian leaders support initiatives to advance their statehood claims and appear to be encouraging or taking advantage of international legal and economic pressure on Israel in an effort to improve the Palestinian position vis-à-vis Israel. Israeli construction (including of Jewish settlements or neighborhoods) and security measures in the West Bank and East Jerusalem could also have implications for final-status issues. Such matters attract significant interest within the United States and among a number of other international actors.

Current U.S. and international efforts to preserve the viability of a negotiated "two-state solution" attract skepticism because of regional turmoil and domestic reluctance among key Israeli and Palestinian leaders and constituencies to contemplate political or territorial concessions. As a

result, Western leaders are left wondering if and how they can improve diplomatic prospects. Meanwhile, Israelis debate whether their leaders should participate in international initiatives, advance their own diplomatic proposals, act unilaterally, or manage the “status quo.”

Figure 1. Israel: Map and Basic Facts



Sources: Graphic created by CRS. Map boundaries and information generated by Hannah Fischer using Department of State Boundaries (2011); Esri (2013); the National Geospatial-Intelligence Agency GeoNames Database (2015); DeLorme (2014). Fact information from CIA, *The World Factbook*; Economist Intelligence Unit; IMF World Outlook Database; Israel Central Bureau of Statistics. All numbers are estimates and as of 2016 unless specified.

Notes: UNDOF: United Nations Disengagement Observer Force. The West Bank is Israeli-administered with current status subject to the 1995 Israeli-Palestinian Interim Agreement; permanent status to be determined through further negotiation. The status of the Gaza Strip is a final status issue to be resolved through negotiations. Israel proclaimed Jerusalem as its capital in 1950, but the United States, like nearly all other countries, retains its embassy in Tel Aviv-Yafo. Boundary representation is not necessarily authoritative.

Country Background

Historical Overview

The start of a quest for a modern Jewish homeland can be traced to the publication of Theodor Herzl's *The Jewish State* in 1896. Herzl was inspired by the concept of nationalism that had become popular among various European peoples in the 19th century, and was also motivated by his perception of European anti-Semitism. The following year, Herzl described his vision at the first Zionist Congress, which encouraged Jewish settlement in Palestine, the territory that had included the Biblical home of the Jews but was then part of the Ottoman Empire. During World War I, the British government issued the Balfour Declaration in 1917, supporting the "establishment in Palestine of a national home for the Jewish people." Palestine became a British Mandate after the war and British officials simultaneously encouraged the national aspirations of the Arab majority in Palestine for eventual self-determination, insisting that its promises to Jews and Arabs did not conflict. Jews immigrated to Palestine in ever greater numbers during the Mandate period, and tension between Arabs and Jews and between each group and the British increased, leading to periodic clashes. Following World War II, the plight of Jewish survivors of the Holocaust gave the demand for a Jewish home added poignancy and urgency, while Arabs across the Middle East simultaneously demanded self-determination and independence from European colonial powers.

In 1947, the United Nations General Assembly developed a partition plan (Resolution 181) to divide Palestine into Jewish and Arab states, proposing U.N. trusteeship for Jerusalem and some surrounding areas. The leadership of the Jewish Yishuv (or polity) welcomed the plan because of the legitimacy they asserted that it conferred on the Jews' claims in Palestine despite their small numbers, while the Palestinian Arab leadership and the League of Arab States (Arab League) rejected the plan, insisting both that the specific partition proposed and the entire concept of partition were unfair given Palestine's Arab majority. Debate on this question prefigured current debate about whether it is possible to have a state that both provides a secure Jewish homeland and is governed in accordance with democratic values and the principle of self-determination.

After several months of civil conflict between Jews and Arabs, Britain officially ended its Mandate on May 14, 1948, at which point the state of Israel proclaimed its independence and was immediately invaded by Arab armies. During and after the conflict, roughly 700,000 Palestinians were driven or fled from their homes, an occurrence Palestinians call the *nakba* ("catastrophe").¹ Many became internationally designated refugees after ending up either in areas of Mandate-era Palestine controlled by Jordan (the West Bank) or Egypt (the Gaza Strip), or in nearby Arab states. Palestinians remaining in Israel became Israeli citizens.

The conflict ended with armistice agreements between Israel and its neighboring Arab states: Egypt, Jordan, Lebanon, and Syria. The territory controlled by Israel within these 1949-1950 armistice lines is roughly the size of New Jersey. Israel has engaged in further armed conflict with some or all of its neighbors on a number of occasions since then—most notably in 1956, 1967, 1973, and 1982. Since the 1950s, Israel has also dealt with the threat of Palestinian guerrilla or terrorist attacks. In 1979, Israel concluded a peace treaty with Egypt, followed in 1994 by a peace treaty with Jordan, thus making another multi-front war less likely. However, as discussed throughout the report, major security challenges persist from Iran and groups allied with it.

¹ CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

Additionally, developments in Arab states and in the ongoing Israeli-Palestinian conflict further complicate Israel's regional position.

Political and Societal Evolution

Israeli society and politics have evolved over time. In the first decades following its founding, Israeli society was dominated by secular Ashkenazi (Eastern European) Jews who constituted the large majority of 19th- and early 20th-century Zionist immigrants. Many leaders from these immigrant communities sought to build a country dedicated to Western liberal and communitarian values. From 1948 to 1977, the social democratic Mapai/Labor movement led Israeli governing coalitions.

The 1977 electoral victory of Menachem Begin's more nationalistic Likud party helped boost the influence of previously marginalized groups, particularly Mizrahi (Eastern) Jews who had immigrated to Israel from Arab countries and Iran. This electoral result came at a time when questions regarding the future of territories that Israel's military occupied during the 1967 Arab-Israeli War had become increasingly central to political life. Begin and his successor in Likud Yitzhak Shamir helped drive the political agenda over the following 15 years. Although Labor under Yitzhak Rabin later initiated the Oslo peace process with the Palestinians, its political momentum was slowed and reversed after Rabin's assassination in 1995.

Despite Labor's setbacks, its warnings that high Arab birth rates could eventually make it difficult for Israel to remain both a Jewish and a democratic state while ruling over the Palestinians gained traction among many Israelis. In this context, Prime Minister Ariel Sharon, a longtime champion of the Israeli right and the settlement movement, split from Likud and established Kadima as a more centrist alternative in 2005. He was succeeded as Kadima's leader, first by Ehud Olmert, then by Tzipi Livni. Elections in February 2009 were a divided affair, with the Livni-led Kadima winning the most Knesset seats, but Binyamin Netanyahu's Likud leading the coalition because of an overall advantage for right-of-center parties. Netanyahu, who also was prime minister from 1996 to 1999, has subsequently led two additional coalitions following elections in January 2013 and March 2015.²

The enduring appeal of Netanyahu and right-of-center parties to Israeli voters in recent years may stem from a number of factors, including:

- Some Israelis' assertions that Palestinians have rejected peace and that Israeli military withdrawals from southern Lebanon (in 2000) and the Gaza Strip (in 2005) emboldened Hezbollah and Hamas and contributed to subsequent conflict.
- The influence of distinct religious, ethnic, or ideological groups, such as Russian speakers who emigrated from the former Soviet Union in the 1990s, and citizens aligned with the "national religious" (modern Orthodox) movement. Both groups skew toward the political right and include many of the biggest supporters of settlements.

One commentator has said that Israelis keep returning Netanyahu to office "precisely because he is risk averse: no needless wars, but no ambitious peace plans either."³

Nevertheless, Israeli politics remain informed by complex considerations, with governing majorities only possible via compromise with diverse groups. For example, the two largest

² For a figure showing the various strains in Israeli politics over time, see a table in "The evolution of Israeli politics," *economist.com*, March 15, 2015.

³ Kramer, *op. cit.*

growing demographic groups in Israel are ultra-Orthodox Jews (Haredim) and Arab Israelis. The two main Haredi parties in Israel are members of Netanyahu's current ruling coalition, and are generally aligned with the other right-of-center parties on national security issues. However, their support for Netanyahu's government is predicated on promises of state support for traditional Haredi educational and lifestyle choices, which are largely anathema to secular Israeli middle class voters. Many of these voters would prefer that government resources be used to defray Israel's relatively high cost of living.

Arab Israelis, who make up nearly 20% of the population, remain largely estranged from Jewish citizens. Arab citizens generally identify more closely with left-of-center parties. However, the general reluctance of Jewish Israelis to include Arab parties in government increases the difficulty for left-of-center parties in forming a coalition.

Government and Politics

Overview

Israel is a parliamentary democracy in which the prime minister is head of government and the president is a largely ceremonial head of state. The unicameral parliament (the Knesset) elects a president for a seven-year term. The current president, Reuven Rivlin, took office in July 2014. Israel does not have a written constitution. Instead, Basic Laws lay down the rules of government and enumerate fundamental rights. Israel has an independent judiciary, with a system of magistrates' courts and district courts headed by a Supreme Court.

The political spectrum is highly fragmented, with small parties exercising disproportionate power due to the relatively low vote threshold for entry into the Knesset (3.25%), and larger parties needing small party support to form and maintain coalition governments. Since Israel's founding, the average lifespan of an Israeli government has been about 23 months. In 2014, however, the Knesset somewhat tightened the conditions for bringing down a government.

Primer on Israeli Electoral Process and Government-Building⁴

Elections to Israel's 120-seat Knesset are direct, secret, and proportional based on a party list system, with the entire country constituting a single electoral district. All Israeli citizens age 18 and older may vote. Turnout in elections since 2001 has ranged between 62% and 72% of registered voters (before that it generally ranged between 77% and 80%). Elections must be held at least every four years, but are often held earlier due to difficulties in holding coalitions together. A Central Elections Committee is responsible for conducting and supervising the elections. The committee includes representatives from parties in the current Knesset and is headed by a Supreme Court justice.

National laws provide parameters for candidate eligibility, general elections, and party primaries—including specific conditions and limitations on campaign contributions and public financing for parties.⁵ Since 2007, a “cooling-off law” requires that senior Israeli military officers wait at least three years before entering civilian politics.⁶

Following elections, the task of forming a government is given by Israel's president to the Knesset member he/she believes has the best chance to form a government as prime minister. The would-be prime minister has 28 days to assemble a majority coalition, and the president can extend this period for an additional 14 days. The government and its ministers are installed following a vote of confidence by at least 61 Knesset members.

Thereafter, the ministers determine the government's course of action on domestic issues, while military and national security action are directed through a “security cabinet” (formally known as the Ministerial Committee on Defense) consisting of a group of key ministers—some whose membership is set by law, others who are appointed by the prime minister—who number no more than half of all cabinet ministers.⁷

Current Government and Major Issues

Israeli Prime Minister Binyamin Netanyahu presides over a coalition government that includes six parties generally characterized as right of center. In May 2016, the Yisrael Beiteinu party joined the government, and its leader Avigdor Lieberman became Israel's defense minister. Lieberman replaced Moshe Ya'alon as defense minister. Ya'alon has since expressed his intent to challenge Netanyahu in the next national elections, which are due no later than 2019.

⁴ Much of the information for this textbox comes from Israel's Ministry of Foreign Affairs website, “Elections in Israel—February 2009,” February 10, 2009. See also “A beginner's guide to Israel's elections,” *Ynetnews*, February 5, 2015; Ruth Levush, “FALQs: Israel's Upcoming 2015 General Elections,” Law Library of Congress, March 2, 2015.

⁵ For additional details on Israel's campaign finance laws, see Ruth Levush, “Campaign Finance: Israel,” Law Library of Congress, July 25, 2012.

⁶ The law was reportedly intended to counter Israeli military officers' cultivation of civilian political connections and influence in anticipation of their possible career transitions.

⁷ According to one media report, “Under Israeli law, war must be approved by the full cabinet. But the security cabinet, whose secrecy is better enforced, can green-light more limited military ‘missions’. Making that distinction depends on whether Israel's intelligence chiefs anticipate an escalation into protracted conflict.” Dan Williams, “Netanyahu's new security cabinet may hesitate on any Iran war,” Reuters, March 19, 2013. Historically, Israeli prime ministers (including Netanyahu) have demonstrated a preference for convening the smaller forum for consultative purposes when convening the larger one is not legally required. See, e.g., Eli Lake, “Meet the Israeli ‘Octet’ That Would Decide an Iran Attack,” *Daily Beast*, March 9, 2012. For a primer on and historical overview of Israel's national security decision making process by a former Israeli security official, see Charles D. Freilich, *Zion's Dilemmas: How Israel Makes National Security Policy*, Ithaca, New York: Cornell University, 2012. For a more concise version of the same subject matter, see Charles D. Freilich, “National Security Decision-Making in Israel: Improving the Process,” *Middle East Journal*, vol. 67, no. 2, spring 2013.

Table 1. Israeli Security Cabinet Members

Member	Party	Ministerial Position(s)	Previous Knesset Terms
Binyamin Netanyahu	Likud	Prime Minister Minister of Foreign Affairs	8
Avigdor Lieberman	Yisrael Beiteinu	Minister of Defense	5
Moshe Kahlon	Kulanu	Minister of Finance	3
Naftali Bennett	Ha'bayit Ha'Yehudi	Minister of Education	1
Ayelet Shaked	Ha'bayit Ha'Yehudi	Minister of Justice	1
Gilad Erdan	Likud	Minister of Public Security Minister of Strategic Affairs Minister of Information	4
Aryeh Deri	Shas	Minister of Interior	3
Yisrael Katz	Likud	Minister of Transportation Minister of Intelligence and Atomic Energy	6
Yoav Galant	Kulanu	Minister of Construction and Housing	0
Sofa Landver	Yisrael Beiteinu	Minister of Immigrant Absorption	6

The varying interests of the coalition's members and some intra-party rifts—particularly in Netanyahu's Likud party⁸—contribute to difficulties in building consensus on the following issues:

- How to address an interrelated set of concerns relating to national security, freedom of expression, competing ideologies, and international influence; and
- How to promote macroeconomic strength while addressing popular concerns regarding economic inequality and cost of living.

Netanyahu's government has faced considerable challenges in connection with Israeli-Palestinian issues and their international ripple effects. Such challenges take place partly within an environment where Israeli prime ministers confront considerable difficulty in balancing fractious coalitions. Speculation continues regarding the possibility that Netanyahu might seek to strengthen his hand vis-à-vis individual coalition partners by bringing in the center-left Zionist Union (featuring Labor and Ha'tnua), or some portion of its Knesset members.⁹ Additionally, Netanyahu's position could be imperiled if an ongoing attorney general's corruption probe leads to a formal criminal investigation and possibly an indictment.¹⁰

⁸ Mazal Mualem (translated from Hebrew), "How the once-moderate Likud was radicalized," *Al-Monitor Israel Pulse*, April 8, 2016.

⁹ "Herzog: Reports of progress toward unity government 'a complete lie,'" *Times of Israel*, October 4, 2016.

¹⁰ Ben Caspit, "Is Bibi's massive fundraising network about to collapse?" *Al-Monitor Israel Pulse*, July 20, 2016. According to one source, "Ehud Olmert, Mr Netanyahu's predecessor as prime minister, was forced to resign in 2009 over bribery allegations and is now serving a 19-month sentence in prison, while possibly facing further convictions." "Israel's prime minister: The law looms larger," *Economist*, July 16, 2016:

Debates about trends in Israeli society have pitted some right-of-center political leaders—including Netanyahu in some instances—against top Israeli defense and military officials. Some members of the security establishment have criticized what they portray as unjustifiable force by Israeli security personnel, and have discerned signs of “intolerance” and “brutalization” in Israeli society.¹¹ In some cases of alleged misconduct by personnel, right-leaning political figures have countered criticism proffered against them. Such divisions between defense officials and some government leaders was exacerbated in the aftermath of a March 2016 shooting of a wounded, prostrate Palestinian attacker by an Israeli soldier in the West Bank.¹² Upon his resignation in May, former defense minister Moshe Ya’alon asserted that manifestations of extremism in Israel and the Likud party are “seeping into the army.”¹³ The previous defense minister, Ehud Barak (who is also a former prime minister) has made similar statements about increasing signs of extremism in Israeli society and politics.¹⁴

The Israeli public and international observers vigorously debated two Netanyahu-supported bills in the Knesset that passed in July 2016. One law requires non-governmental organizations (NGOs) receiving more than half their funding from foreign governments to officially declare the funding sources, and appears to disproportionately affect left-leaning organizations.¹⁵ In a July 12 daily press briefing, a State Department spokesperson raised concerns about the “chilling effect that this new law could have on NGO activities.” The second law amended Israel’s Basic Law to allow a Knesset supermajority to expel a Knesset member if the member incites racism or supports violence against the state.¹⁶ It appears to be tailored to address concerns among several lawmakers regarding Arab Knesset members.¹⁷

Economy

Israel has an advanced industrial, market economy in which the government plays a substantial role. Despite limited natural resources, the agricultural and industrial sectors are well developed. The engine of the economy is an advanced high-tech sector, including aviation, communications, computer-aided design and manufactures, medical electronics, and fiber optics. Israel still benefits from loans, contributions, and capital investments from the Jewish diaspora, but economic strength has lessened its dependence on external financing.

Israel’s economy is experiencing a period of moderate growth (between 2.5% and 3.2% annually since 2012) following a time of generally more robust growth (averaging 4.5% annually from 2004 to 2011).¹⁸ Slower economies in major Israeli trading partners—Europe, North America, and China—may account for the change to some extent. While International Monetary Fund (IMF) growth projections for Israel remain close to 3% over the next five years,¹⁹ the Economist Intelligence Unit projects growth approaching 4% over much of that time due to expectations of

¹¹ “Israeli military finds its independent voice under attack,” *Christian Science Monitor*, May 9, 2016.

¹² The shooter, Sgt. Elor Azaria, is being tried for manslaughter in an Israeli military court amid controversy over whether the shooter might have reasonably believed that the wounded Palestinian presented a threat.

¹³ “Israel Defense Minister Moshe Yaalon Quits, Says Can’t Trust PM Netanyahu,” Associated Press, May 20, 2016.

¹⁴ Judah Ari Gross, “Barak flogs Netanyahu, laments ‘budding fascism’ in Israel,” *Times of Israel*, June 16, 2016.

¹⁵ “After contentious debate, Knesset passes NGO law,” *Times of Israel*, July 12, 2016.

¹⁶ Ruth Levush, “Israel: Laws Authorize Expulsion of Lawmakers Engaged in Incitement to Racism or Support of Armed Struggle Against the State,” Law Library of Congress Global Legal Monitor, July 21, 2016.

¹⁷ “Knesset passes law allowing expulsion of lawmakers,” Jewish Telegraphic Agency, July 20, 2016.

¹⁸ Based on data from the International Monetary Fund’s World Economic Outlook Database, April 2016.

¹⁹ Ibid.

greater domestic consumption and exports, and anticipated new income from offshore natural gas deposits.²⁰ For information on prospective natural gas exports, see CRS Report R44591, *Natural Gas Discoveries in the Eastern Mediterranean*, by Michael Ratner.

Although Israel's overall macroeconomic profile and fiscal position appears positive, the country has one of the highest income inequality levels within the 34-country Organisation of Economic Cooperation and Development (OECD).²¹ This inequality particularly affects Arab Israelis and Israeli Haredim (ultra-Orthodox Jews).²²

Israeli Security Challenges

Israeli leaders and numerous other observers publicly identify Iran and two of its non-state allies—Hezbollah in Lebanon²³ and Hamas in the Gaza Strip—as particularly significant security threats to Israel. Other threats or potential threats include Palestinian attacks emanating from the West Bank and Jerusalem and concerns about terrorist groups operating near Israel's borders with Syria and Egypt.²⁴ At the same time, at least one Israeli intelligence estimate was reported to assess that recent changes and turmoil in the Middle East may in some ways have improved Israel's strategic posture.²⁵

Strategic and Military Profile

For decades, Israel has relied on the following three advantages—all either explicitly or implicitly backed by the United States—to remove or minimize potential threats to its security and existence:

- Overwhelming regional conventional military superiority;
- Undeclared but universally presumed regional nuclear weapons exclusivity;²⁶ and
- De jure or de facto arrangements or relations with the authoritarian leaders of its Arab state neighbors aimed at preventing interstate conflict.

²⁰ Economist Intelligence Unit, *Country Report: Israel*, generated September 6, 2016.

²¹ OECD, *In It Together: Why Less Inequality Benefits All*, 2015, p. 20; OECD, *Economic Policy Reforms 2015: Going for Growth*, pp. 223-226.

²² Ibid.

²³ See, e.g., Neri Zilber, "A Nice, Relaxing Weekend in the Sights of Hezbollah," *Tablet*, July 12, 2016; Avi Isaacharoff, "10 years after the Second Lebanon War, Israel isn't in Hezbollah's sights," *Times of Israel*, July 14, 2016; William Booth, "Ten years after last Lebanon war, Israel warns next one will be far worse," *Washington Post*, July 23, 2016.

²⁴ For information on various potential threats to Israel's security, see testimony from a House Foreign Affairs Middle East and North Africa Subcommittee hearing dated April 19, 2016, available at <https://foreignaffairs.house.gov/hearing/joint-subcommittee-hearing-israel-imperiled-threats-to-the-jewish-state/>; and Robert M. Danin, "Israel Among the Nations," *Foreign Affairs*, July/August 2016.

²⁵ Yossi Melman, "Intelligence Report: Israel's strategic position has improved," *Jerusalem Report*, March 5, 2016.

²⁶ Israel is not a party to the Nuclear Nonproliferation Treaty (NPT) and maintains a policy of "nuclear opacity" or *amimut*. A 2014 report examining data from a number of sources through the years estimated that Israel possesses an arsenal of around 80 nuclear weapons. Hans M. Kristensen and Robert S. Norris, "Israeli nuclear weapons, 2014," *Bulletin of the Atomic Scientists*, vol. 70(6), 2014, pp. 97-115. The United States has countenanced Israel's nuclear ambiguity since 1969, when Israeli Prime Minister Golda Meir and U.S. President Richard Nixon reportedly reached an accord whereby both sides agreed never to acknowledge Israel's nuclear arsenal in public. Eli Lake, "Secret U.S.-Israel Nuclear Accord in Jeopardy," *Washington Times*, May 6, 2009.

According to estimates from *IHS Jane's*, Israel's military features total active duty manpower across the army, navy, and air force of approximately 180,000, plus 445,000 in reserve—numbers aided by mandatory conscription for most young Jewish Israeli men and women, followed by extended reserve duty. In addition to its highly developed conventional equipment and capabilities, including a number of missile defense platforms, Israel is widely presumed to have an unacknowledged nuclear weapons arsenal that might be deployable via aircraft, submarine, and ground-based missiles.²⁷ Additionally, Israel reportedly has sophisticated cyber defense and warfare capabilities. Its overall annual defense budget is approximately \$13.8 billion, constituting about 4.7% of Israel's total gross domestic product (GDP).²⁸

Although Israel maintains conventional military superiority relative to its neighbors and the Palestinians, it is unclear how shifts in regional order and evolving asymmetric threats may affect Israel's capabilities to project military strength, deter attack, and defend its population and borders. Some unconventional threats to Israel are seen to have been reduced because of factors such as heightened security measures vis-à-vis Palestinians; missile defense systems; and reported cyber capabilities. Israeli officials closely monitor U.S. actions and consult with U.S. counterparts in apparent efforts to gauge and influence the nature and scope of future U.S. engagement on and commitment to key regional issues.

Israel has a robust homeland security system featuring sophisticated early warning practices, a number of significant measures in major public areas such as airports, and reinforced rooms or shelters that are engineered to withstand explosions in most of the country's buildings. Israel has also proposed and partially constructed a national border fence network of steel barricades (accompanied by watch towers, patrol roads, intelligence centers, and military brigades), which is designed to minimize militant infiltration, illegal immigration, and smuggling from Egypt, Syria, Lebanon, and parts of Jordan.²⁹

After the Iran Nuclear Deal

Israeli politicians and security officials have expressed a range of opinions regarding the JCPOA. Many Israeli leaders and observers indicate concern that the nuclear deal and its implementation is facilitating greater Iranian influence in the Middle East and emboldening Iran and its allies to test Israel's political and military capacities for deterrence. Some leaders, such as Prime Minister Binyamin Netanyahu, asserted at the time that the JCPOA was signed that it also legitimized Iran's aspirations to be a "nuclear threshold" state.³⁰

Yet, some within Israel's security establishment have identified positive aspects in the JCPOA's time-specific limits or rollbacks on Iran's ability to produce fissile material.³¹ Lieutenant General Gadi Eizenkot, the Israel Defense Forces chief of staff, said in January 2016, "The deal has actually removed the most serious danger to Israel's existence for the foreseeable future and

²⁷ Kristensen and Norris, op. cit.; "Strategic Weapon Systems," *Jane's Sentinel Security Assessment – Eastern Mediterranean*, March 11, 2016; "Operation Samson: Israel's Deployment of Nuclear Missiles on Subs from Germany," *Der Spiegel*, June 4, 2012.

²⁸ "Israel Defence Budget," *Jane's Defence Budgets*, January 21, 2016. For purposes of comparison, *IHS Jane's* reports that the U.S. defense budget totals close to \$625 billion annually, constituting approximately 3.3% of total GDP.

²⁹ "Israel approves additional section of Jordan border fence: report," *i24news*, July 19, 2016; Barbara Opall-Rome, "Israel Invests Billions in Border Barricades," *Defense News*, September 7, 2015.

³⁰ Michael Herzog, "Israel Confronts the Iran Nuclear Deal," Washington Institute for Near East Policy, PolicyWatch 2455, July 24, 2015.

³¹ Danin, op. cit.

greatly reduced the threat over the longer term.”³² Analysts writing in an Israeli strategic affairs journal asserted in April 2016 that “Israel can undertake not to attack Iran as long as there is no violation of the terms of the JCPOA.”³³ Iran has continued to develop and test ballistic missiles, leading to some U.S. sanctions,³⁴ while Israeli calls for more concerted international action arguably lack enforcement mechanisms.³⁵

A number of post-JCPOA developments may affect Israel’s “qualitative military edge” (QME) over regional threats, including

- The prospect of greater Iranian capacity to affect the regional balance of power given its renewed global economic connectivity.³⁶
- An increase in U.S. arms sales to Arab Gulf states in an effort to reassure them.³⁷
- Russia’s decision to finally deliver on a long-delayed agreement to provide Iran with an upgraded air defense system known as the S-300.³⁸

Regional Threats from Hezbollah, Syria, and Sunni Jihadists

Deterrence between Israel and Iran’s ally Hezbollah is based on various military and political factors, and has largely held since a major Israel-Hezbollah conflict in the summer of 2006. A number of regional developments may affect Israel’s ability to deter Hezbollah in the future, including dynamics involving Lebanon, Syria, and U.S.-Israel closeness and cooperation.³⁹

At various times during the conflict in Syria, Israel has reportedly fired on targets in Syria or Lebanon in response to attack or threats of attack, or in attempts to prevent arms transfers to Hezbollah in Lebanon.⁴⁰ In February 2016, Israeli Prime Minister Netanyahu said:

We will not agree to the supply of advanced weaponry to Hezbollah from Syria and Lebanon. We will not agree to the creation of a second terror front on the Golan Heights. These are the red lines that we have set and they remain the red lines of the State of Israel.⁴¹

However, Israel’s ability to operate in or around Syrian airspace appears to have become more dependent on Russia since it became directly involved in Syria in the fall of 2015. Israel and Russia initially established a joint mechanism for preventing misunderstandings,⁴² but Russia’s

³² David E. Sanger, “A Year Later, a Mixed Record for the Iran Accord,” *New York Times*, July 14, 2016.

³³ Carmit Valensi and Udi Dekel, “The Current Challenges in the Middle East Demand a Joint United States-Israel Strategy,” *Strategic Assessment*, vol. 19, no. 1, April 2016. See also Sanger, op. cit.

³⁴ U.S. Treasury Department Press Release, “Treasury Sanctions Those Involved in Ballistic Missile Procurement For Iran,” January 17, 2016.

³⁵ Barbara Opall-Rome, “Experts: Israel Lacks Leverage Against Iranian Missile Tests,” *Defense News*, March 14, 2016.

³⁶ Valensi and Dekel, op. cit.

³⁷ Joe Gould, “US Lawmakers Urge Action on Jet Sales to Qatar, Kuwait and Bahrain,” *Defense News*, July 12, 2016.

³⁸ Parisa Hafezi, “Iran deploys Russian-made S-300 missiles at its Fordow nuclear site: TV,” Reuters, August 29, 2016.

³⁹ See, e.g., Yuval Azulai, “Israel, US conduct joint missile defense trial,” *Globes*, July 6, 2016.

⁴⁰ See, e.g., “Israel has hit ‘dozens’ of Hezbollah arms transfers, Netanyahu says,” *Times of Israel*, April 11, 2016; Anne Barnard, “Lebanon: New Skirmish Between Israel and Hezbollah in Disputed Territory,” *New York Times*, January 5, 2016.

⁴¹ Isabel Kershner, “Netanyahu Welcomes Cease-Fire in Syria, but Adds a Warning,” *New York Times*, February 29, 2016.

⁴² See, e.g., Barbara Opall-Rome, “Israel, Russia Conclude First Round of Deconfliction Talks,” *Defense News*, (continued...)

reported deployment of advanced S-300 and S-400 air defense systems in Syria could complicate future Israeli efforts to prevent or mitigate the supply of arms to Hezbollah via Syrian territory.⁴³ In July 2016, a Russian drone aircraft reportedly crossed into Israeli airspace by mistake and was fired upon by Israeli Patriot and air-to-air missiles before safely returning to Syria.⁴⁴ At least one incident in which Syria reportedly fired on Israeli aircraft has driven some speculation about possible unintended consequences of Russian emboldenment of Syria.⁴⁵

Israeli officials have sought to draw attention to Hezbollah's weapons buildup—including reported upgrades to the range and precision of its projectiles—and its alleged use of Lebanese civilian areas as strongholds.⁴⁶ In highlighting these issues, Israel may be aiming to bolster the credibility of its threat of massive retaliation against a Hezbollah attack, at least partly to spur key international actors to work toward preventing or delaying conflict.⁴⁷ Observers debate the extent to which Hezbollah's involvement in the Syrian conflict in support of the Asad regime has weakened or strengthened the group, as well as whether Hezbollah's domestic profile and the profusion of international and non-state actors in the region make near-term conflict with Israel more or less likely.⁴⁸

Sunni Salafi-jihadist activity in the region since 2014—particularly involving the Islamic State organization (IS, also known as ISIS/ISIL, or by the Arabic acronym *Da'esh*)—has also deepened Israeli concerns regarding Israel's border security⁴⁹ and the security of neighboring Jordan. Israel is constructing a security barrier along its border with Jordan is similar in nature to projects undertaken on its other frontiers.⁵⁰ Israeli security officials additionally monitor groups and individuals in the neighboring Gaza Strip and (Egypt's) Sinai Peninsula who claim allegiance to or inspiration from Salafi-jihadists,⁵¹ and Israeli leaders have taken note of incidents in Europe since 2014 in which extremists have specifically targeted Jews (including Israeli citizens).⁵² Since late 2015, some IS leaders or associated groups have issued explicit threats against Israel and/or

(...continued)

October 7, 2015.

⁴³ Barak Ravid, "Israel Asks Russia to Revise Military Coordination Due to New Russian S-300 Missiles in Syria," *haaretz.com*, October 17, 2016; Amos Harel, "Without Effort, Russia Restricted the Strongest Air Force in the Middle East," *haaretz.com*, October 23, 2016.

⁴⁴ Nazir Majli, "Russia Admits Drone Entered Israeli Airspace," *Asharq al Awsat Online*, August 8, 2016.

⁴⁵ Micah Halpern, "Swaggering Syria Shoots at Israeli Jets, Flying Toward War?" *observer.com*, September 15, 2016.

⁴⁶ William Booth, "Ten years after last Lebanon war, Israel warns next one will be far worse," *washingtonpost.com*, July 23, 2016; Identical letters dated May 27, 2015, from the Permanent Representative of Israel to the United Nations addressed to the Secretary-General and the President of the Security Council, U.N. Document S/2015/382, May 27, 2015; Isabel Kershner, "Israel Says Hezbollah Military Sites Put Lebanese Civilians at Risk," *New York Times*, May 13, 2015. Adam Entous, et al., "Hezbollah Upgrades Missile Threat to Israel," *Wall Street Journal*, January 2, 2014.

⁴⁷ See, e.g., Booth, "Ten years after last Lebanon war..." op. cit.; Neri Zilber, "Hezbollah Claims a 'Nuclear Option' in Tense Standoff with Israel," *Daily Beast*, March 3, 2016; Amos Harel, "Israel's Unlikely Place in a Rapidly Changing Middle East," *haaretz.com*, March 7, 2016.

⁴⁸ Harel, "Without Effort, Russia Restricted the Strongest Air Force in the Middle East," op. cit.; Nour Samaha, "Hezbollah's Death Valley," *foreignpolicy.com*, March 3, 2016.

⁴⁹ Isabel Kershner, "Beyond Borders, Israel Sees a New World of Chaos, Tunnels and Terror," *New York Times*, February 12, 2016; "Israel and Islamic State: The caliphate eyes the holy land," *Economist*, January 23, 2016; David Ignatius, "In Middle East, a Serious Game of War," *Washington Post*, January 27, 2016.

⁵⁰ See footnote 29.

⁵¹ See, e.g., Alex Fishman, "Hamas is funding Islamic State in Sinai," *Ynetnews*, December 14, 2015; Ronen Bergman, "The battle over Sinai: ISIS's next strong force," *Ynet Magazine*, December 25, 2015.

⁵² See, e.g., "Kosher Copenhagen deli targeted in anti-Semitic attack," *Times of Israel*, April 9, 2015; "Brussels Jewish Museum killings: Suspect 'admitted attack,'" *BBC News*, June 1, 2014.

Jews,⁵³ though how that translates to operational capacity and concerted effort to direct or inspire attacks against Israeli targets is less clear.⁵⁴

Egypt

Israeli leaders, who had expressed concern about Egypt's future after Hosni Mubarak's removal in 2011 led to the election of Muslim Brotherhood figure Muhammad Morsi in 2012, have been very supportive of and cooperative with General-turned-President Abdel Fattah al Sisi since his July 2013 military-backed ouster of Morsi. Egyptian forces have reportedly been active in countering heightened militant activity in Sinai and along its border with the Gaza Strip, and in targeting Sinai-Gaza smuggling tunnels. Largely in response to deadly terrorist attacks in Sinai against Egyptian security personnel for which the Sinai Province of the Islamic State (SP, formerly known as Ansar Beit al Maqdis) claimed credit, Egypt's military created a territorial buffer zone between Sinai and Gaza.⁵⁵

More broadly, significant Egyptian deployments of manpower and weaponry, which have reportedly been approved by and coordinated with Israel pursuant to key provisions in the two countries' 1979 peace treaty, seem to have been part of larger Egyptian military efforts to counter militant Islamist and tribal groups in Sinai, perhaps including Palestinian militants.⁵⁶ However, SP and other militant groups continue to threaten Israel along with domestic targets and foreign peacekeepers and tourists.⁵⁷ Israel has actively sought continued U.S. and international support for Egypt since the July 2013 leadership change, and Egypt still plays a role in political mediation between Israel and Palestinians (including Hamas) and among competing Palestinian factions.

⁵³ "Islamic State head: 'Palestine will be graveyard' for Jews," *Times of Israel*, December 26, 2015; jpost.com, "ISIS in Sinai threatens Jews, Israel and Rome in new video," August 3, 2016.

⁵⁴ See, e.g., Will McCants, "ISIS and Israel," jihadica.com, November 6, 2015; Isabel Kershner and Diaa Hadid, "5 Palestinian Israelis, Said to Be ISIS Supporters, Are Held," *New York Times*, December 10, 2015.

⁵⁵ Avi Isaacharoff, "Egypt to expand Gaza buffer zone to up to 2 kilometers," *Times of Israel*, January 6, 2015. Albaraa Abdullah, "Did Egypt flood tunnels at Israel's request?" *Al-Monitor Egypt Pulse*, February 24, 2016.

⁵⁶ See, e.g., David Wainer, et al., "Old Mideast Foes Unite Over Gas Deals and Fighting Militants," Bloomberg, July 10, 2016.

⁵⁷ In April 2016, Secretary of Defense Ash Carter notified Israel and Egypt that the United States was reviewing its participation in the Multinational Force and Observers mission in the Sinai Peninsula. Currently, there are about 700 U.S. personnel serving in the MFO out of an approximate total of 1,600. Richard Sisk, "US Reviewing Troop Presence in Sinai amid Increasing ISIS Threats," military.com, April 12, 2016.

Hamás and Gaza

Israel continues to face a rocket threat from the Gaza Strip (via Hamas and other militant groups) that has expanded in geographical range in the past few years.⁵⁸ There has been little or no lasting progress in arresting the rocket threat or in negotiating an easing of Israel's perimeter of control in and around Gaza, though the replenishment of Palestinian militants' stocks from outside sources following a summer 2014 conflict was reportedly slowed by Egypt's large-scale destruction of smuggling tunnels. Meanwhile, Israel continues to deploy and develop programs to defend against a wide variety of rockets and missiles.

The summer 2014 conflict was the third major conflict between Israel and Hamas (along with other Palestinian militants) since the end of 2008. Each arguably has featured mutual tests of military capability, domestic political cohesion, and deterrence in times of political change. Each of the three conflicts has also featured heated debate over respective culpability and the targeting or reckless endangerment of civilians.

The cease-fires ending various rounds of conflict in Gaza have contemplated negotiating arrangements regarding security, commerce, and post-conflict reconstruction, though to date the status quo in and around Gaza has not significantly changed. Hamas appears unwilling to cede meaningful control over security in Gaza to the Palestinian Authority (PA).

Gazans remain largely dependent on international humanitarian aid. In its coordination with various organizations and international actors that ship building materials into Gaza from Israeli-manned checkpoints, Israel seeks assurances that Hamas cannot divert materials for reconstruction toward a reconstitution of the military infrastructure—including a network of tunnels both within Gaza and leading to Israel—it used during the summer conflict. In August 2016, Israel arrested and charged two Gazans employed at humanitarian organizations—one at U.S.-based World Vision International, one at the U.N. Development Programme (UNDP)—in

Major Israel-Hamas Conflicts Since 2008

December 2008-January 2009: Israeli code name "Operation Cast Lead"

- Three-week duration, first meaningful display of Palestinians' Iranian-origin rockets, Israeli air strikes and ground offensive
- Political context: Impending leadership transitions in Israel and United States; struggling Israeli-Palestinian peace talks (Annapolis process)
- Fatalities: More than 1,100 (possibly more than 1,400) Palestinians; 13 Israelis (three civilians)

November 2012: "Operation Pillar of Defense (or Cloud)"

- Eight-day duration, Palestinian projectiles of greater range and variety, Israeli airstrikes, prominent role for Iron Dome
- Political context: Widespread Arab political change, including rise of Muslim Brotherhood to power in Egypt; three months before Israeli elections
- Fatalities: More than 100 Palestinians, six Israelis (four civilians)

July-August 2014: "Operation Protective Edge/Mighty Cliff"

- About 50-day duration, Palestinian projectiles of greater range and variety, Israeli air strikes and ground offensive, extensive Palestinian use of and Israeli countermeasures against tunnels, prominent role for Iron Dome
- Political context: Shortly after (1) unsuccessful round of Israeli-Palestinian peace talks, (2) PA consensus government formation and end of Hamas's formal responsibilities for governing Gaza, (3) prominent youth killings
- Fatalities: More than 2,100 Palestinians, 71 Israelis (five civilians), and one foreign worker

⁵⁸ For information on Palestinian militants' capabilities in Gaza, see CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

separate cases involving the alleged diversion of funds or resources to Hamas.⁵⁹ The cases are ongoing.

Individual Palestinian Attacks

In the fall of 2015, tensions connected with Jerusalem's Temple Mount/Haram al Sharif contributed to a wave of mostly "lone wolf" attacks by Palestinians against Jewish Israeli security personnel and civilians that intensified for several months and have fluctuated since. More than 30 Israelis and 200 Palestinians had been killed as a result of that violence as of September 2016.⁶⁰

Israeli authorities have responded with both incentives and punitive measures intended to deter future attacks. The government increased the number of permits for West Bank residents to work in Israel in hopes of reducing the grievances that officials' apparently assume are driving the attacks.⁶¹ In July 2016, the prime minister's office announced that any amounts transferred by the PA to "terrorists and their families" would be deducted from the monthly tax revenues Israel transfers to the PA,⁶² though no public announcement of specific deductions has ensued. In August, Defense Minister Lieberman presented what has been called a "carrot and stick" plan, which has generated significant debate from its focus on linking rewards or punishments in specific Palestinian West Bank communities to the extent attackers come from those communities.⁶³

While U.S. and international observers have denounced the Palestinian attacks and directed some criticism toward Palestinian Authority (PA) President Mahmoud Abbas and other Palestinian leaders, they have also criticized Israeli leaders for (1) allegedly disproportionate security responses, (2) continued settlement construction in the West Bank and East Jerusalem, and (3) resistance to new initiatives aimed at restarting peace talks. See "Peace Process Diplomacy and International Involvement" below.

⁵⁹ World Vision has raised concerns regarding the process and substance of the legal proceedings against its employee, while Amnesty International has said that there have been allegations that the World Vision employee confessed under duress. Joe Dyke, "World Vision urges Israel to try 'Hamas aid' case in public," *Agence France Presse*, August 30, 2016.

⁶⁰ "Israel Kills Palestinian Who Wounded Soldier in West Bank," *Voice of America*, September 17, 2016. Some U.S. citizens have been killed or injured, prompting the State Department to issue an August 23, 2016, security message to U.S. citizens for Israel, Jerusalem, and the West Bank (<https://travel.state.gov/content/passports/en/alertswarnings/israel-travel-warning.html>).

⁶¹ Yoav Zitun, "Attack highlights West Bank infiltrators," *Ynetnews*, June 9, 2016.

⁶² Israeli Prime Minister's Office, "PM Netanyahu Orders that Palestinian Authority Payments to Terrorists and their Families be Deducted from Tax Revenue Transfers to the PA," July 1, 2016. Israel periodically delays or withhold tax revenue transfers to the PA over security or political concerns or disputes. Palestinians and some international observers assert that the 1994 Paris Protocol governing such transfers does not permit Israeli delays or withholding. The PA transfers alluded to by the prime minister's office presumably refer to Palestinian payments to persons imprisoned by Israel for terrorism and those persons' families.

In 2014, the Palestinians reportedly shifted the responsibility for making these payments from the PA to the Palestine Liberation Organization (PLO) budget, largely in order to defuse concerns among the PA's international donors about perceptions that the donors might be indirectly associated with the prisoner-related payments. CRS Report RS22967, *U.S. Foreign Aid to the Palestinians*, by Jim Zanotti.

⁶³ Yoav Zitun and Tova Tzimuki, "Lieberman unveils 'carrot and stick' plan against terror," *Ynetnews*, August 17, 2016.

Concerns Regarding International Relationships

Israel and many of its supporters, along with the international media, frequently raise the possibility that Israel could become more “isolated” (or, as some Israelis characterize it, “delegitimized”) internationally.⁶⁴ Some Israeli officials and outside observers downplay the concern, pointing to improvements in Israel’s relations with a number of countries.⁶⁵ While widespread consensus across Israel’s political spectrum favors countering developments that may lead toward isolation, there is debate over the extent to which changes in Israeli policy on sensitive issues regarding Palestinians can positively affect international attitudes toward Israel. Right-of-center political figures within the government sometimes portray criticisms of Israeli actions as pretexts for more deep-seated prejudice against Israel and/or Jews, while left-of-center figures within the opposition periodically criticize government leaders for steps that may have the potential to undermine existing support for Israel in international fora.⁶⁶

Since 2011, Palestinian leaders have taken a number of initiatives in international fora to advance the Palestinian national narrative, which in many cases largely opposes Israeli objectives. A number of these initiatives are discussed later in the report (see “Israeli-Palestinian Issues” below).

For information on Israeli measures regarding the International Criminal Court international economic measures regarding Israel, see CRS Report R44281, *Israel and the Boycott, Divestment, and Sanctions (BDS) Movement*, coordinated by Jim Zanotti.

Turkey: Some Improvement in Relations

Israel is likely to need U.S. help in improving or mitigating troubled regional and international relationships, though even with this help, any improvement may be halting and reversible. For example, in 2010, Turkey cut off most modes of cooperation with Israel a year after the May 2010 Gaza flotilla incident.⁶⁷ Only economic relations and low-level diplomacy endured. Previously (in the 1990s and early 2000s), Turkey and Israel had enjoyed close military ties that fostered cooperation in other areas, including a free trade agreement signed in 2000.⁶⁸

In late June 2016, Israel and Turkey announced the full restoration of diplomatic relations. Negotiations toward this end had begun in 2013 after President Obama facilitated a phone call apology from Netanyahu to then Turkish Prime Minister (now President) Recep Tayyip Erdogan regarding the 2010 incident. Reportedly, Vice President Joe Biden facilitated the rapprochement in part due to potential mutual benefits anticipated by both sides from the construction of a natural gas pipeline from offshore Israeli fields to Turkey.⁶⁹ According to media reports, the rapprochement includes Israeli compensation to the families of those killed in the 2010 incident in exchange for an end to legal claims, as well as opportunities for Turkey to use the Israeli port of Ashdod to stage some humanitarian and infrastructure assistance for Palestinian residents of the Gaza Strip. According to one report, “ Hamas offices in Istanbul will remain

⁶⁴ See, e.g., Uri Savir, “‘Delegitimization war’ heats up between Israel, Palestine,” *Al-Monitor Israel Pulse*, August 28, 2016.

⁶⁵ Ruthie Blum, “Israel’s Outgoing Foreign Ministry Chief Dispels ‘Myth’ of Jewish State’s Diplomatic Isolation,” *Algemeiner*, October 20, 2016.

⁶⁶ See, e.g., Lahav Harkov, “Netanyahu says Israel’s image improving as he defends Foreign Ministry’s diplomatic efforts,” *Jerusalem Post*, July 26, 2016.

⁶⁷ In the incident, Israeli special forces boarded a private Turkish vessel (the *Mavi Marmara*) that was en route to Gaza to symbolically challenge Israel’s blockade, and killed nine passengers in international waters (a tenth died later from his injuries) under disputed circumstances.

⁶⁸ CRS Report R41368, *Turkey: Background and U.S. Relations*, by Jim Zanotti and Clayton Thomas.

⁶⁹ Many analysts assert that a Turkey-Israel pipeline would probably traverse Cypriot waters, thus necessitating an improvement in Turkish-Cypriot relations, if not a resolution to the decades-long dispute between Greek and Turkish Cypriots. Discussion of a pipeline may also attract the attention of Russia, currently Turkey’s largest natural gas supplier.

open and Israel will have to make do with Turkey's assurances that they will only be allowed to engage in 'political' activities."⁷⁰

The restoration of diplomatic relations is unlikely to portend a return to the close Israel-Turkey military or intelligence ties of past decades, though the two countries' intelligence heads reportedly have some rapport.⁷¹ Some security cooperation to address common threats or problems—including those emanating from Iran and various terrorist groups—might ultimately stem from the rapprochement.⁷²

Key U.S. Policy Issues

Overview

On May 14, 1948, the United States became the first country to extend any type of recognition to the state of Israel. Over the years, despite occasional policy differences, the United States and Israel have maintained close bilateral ties based on common democratic values, religious affinities, and security interests. Relations have evolved through legislation; memoranda of understanding; economic, scientific, and military agreements; and trade. Congress provides military assistance to Israel and has enacted other legislation in explicit support of its security. Such support is part of a regional security order—largely based on varying types and levels of U.S. arms sales to Israel and Arab countries—that has avoided major Arab-Israeli interstate conflict for more than 40 years.

Israeli officials closely monitor U.S. actions and consult with U.S. counterparts in apparent efforts to gauge and influence the nature and scope of future U.S. engagement on and commitment to regional issues that implicate Israel's security. Given Israeli concerns about these issues and about potential changes in levels of U.S. interest and influence in the region, some of Israel's leaders and supporters make the case to U.S. decision makers that

- Israel's security and the broader stability of the region continue to be critically important for U.S. interests; and
- Israel has substantial and multifaceted worth as a U.S. ally beyond temporary geopolitical considerations and shared ideals and values.⁷³

U.S. officials' views on these points could influence the type and level of support that the United States might provide to address threats Israel perceives, or how Israel might continue its traditional prerogative of "defending itself, by itself" while also receiving external assistance. It also could influence the extent to which the United States places conditions on the support it provides to Israel.

The long-term effects of Israel's domestic political trends on its internal cohesion and its ties with the United States and broader Western world are unclear.⁷⁴ A number of factors differentiate Israel from North America and Europe, including its geopolitical threat perceptions, unique historical

⁷⁰ "Israel and Turkey: Let's try again," *Economist*, July 2, 2016.

⁷¹ Yossi Melman, "A long way off," *Jerusalem Report*, August 8, 2016.

⁷² Yaroslav Trofimov, "Israel Changes Tack to Regain Friends," *Wall Street Journal*, July 8, 2016.

⁷³ See, e.g., Jonathan Greenblatt, "US military aid to Israel makes sense for both countries," September 15, 2016. But see Richard Klass, "Is Israel Becoming a Strategic Liability?" *War on the Rocks*, January 28, 2015.

⁷⁴ See, e.g., Pew Research Center, *Israel's Religiously Divided Society*, March 8, 2016, available at <http://www.pewforum.org/files/2016/03/Israel-Survey-Full-Report.pdf>.

experience, and its population's relatively higher level of direct military service.⁷⁵ Yet, Israeli leaders and significant segments of Israeli civil society regularly emphasize ongoing commitments to political, economic, and cultural connections and shared values with the West.

Bilateral Differences and Overall Closeness

Aligning U.S. and Israeli policies has presented challenges on some key matters of concern. Many reports indicate that President Obama and Prime Minister Netanyahu have differed on a number of issues, especially relating to Iran's nuclear program and to the Palestinians, since they both took office in 2009.⁷⁶ Some instances have occurred in which officials from the two countries have criticized policies or actions by their bilateral counterparts. Observers debate how deep-seated and long-lasting various U.S.-Israel differences might be, and whether U.S. policy questions regarding support for Israel might increasingly be contested along partisan lines.⁷⁷ At the same time overall bilateral cooperation has continued and even increased by many measures on a number of issues such as defense, trade, and energy.

Perceptions that the United States has become less engaged in addressing problems in the region may exacerbate Israel's anxiety over the extent to which it can rely on its geographically distant superpower partner to actively thwart potential threats Israel faces, and to do so in the manner Israel's government prefers. Some Israelis and others have argued that the level and nature of influence the United States has in the Middle East has been reduced, due to a number of political and economic factors.⁷⁸ Nevertheless, substantial U.S. military assets remain deployed in the region, and U.S. officials regularly reiterate commitments to Israel (and other regional allies) and reinforce these statements through tangible means such as aid, arms sales, and missile defense cooperation.⁷⁹

Bilateral Trade Issues

The United States is Israel's largest single-country trading partner,⁸⁰ and—according to data from the U.S. International Trade Commission—Israel is the United States's 23rd-largest trading partner.⁸¹ The two countries concluded a Free Trade Agreement (FTA) in 1985, and all customs duties between the two trading partners have since been eliminated. The FTA includes provisions

⁷⁵ Military service remains compulsory for most Jewish Israeli young men and women, and most Jewish Israeli men remain on reserve duty until the age of 40 (for soldiers) or 45 (for officers).

⁷⁶ "Netanyahu at War," PBS Frontline, January 4, 2016; Jason M. Breslow, "Dennis Ross: Obama, Netanyahu Have a 'Backdrop of Distrust,'" PBS Frontline, January 6, 2016; Sarah Moughty, "Michael Oren: Inside Obama-Netanyahu's Relationship," PBS Frontline, January 6, 2016.

⁷⁷ Dana H. Allin and Steven N. Simon, *Our Separate Ways: The Struggle for the Future of the U.S.-Israel Alliance*, New York: PublicAffairs, 2016.

⁷⁸ See, e.g., Susser, "Living in a post-American Middle East," op. cit.; Martin Kramer, "Israel and the Post-American Middle East," *Foreign Affairs*, July/August 2016; Dennis Ross, "Why Middle Eastern Leaders Are Talking to Putin, Not Obama," *Politico*, May 8, 2016.

⁷⁹ See, e.g., William Booth and Carol Morello, "Biden arrives in Israel to talk billions in military aid — and try to patch things up," *washingtonpost.com*, March 8, 2016; Greg Jaffe and Juliet Eilperin, "Obama's gulf gambit: More military aid to allies could ease regional rifts with Iran," *washingtonpost.com*, April 21, 2016.

⁸⁰ According to the European Commission's Directorate General for Trade, for 2014 the countries of the European Union accounted for 30.2% of Israel's total trade volume, while the United States accounted for 20.5%. Document available at http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113402.pdf.

⁸¹ Statistics on Israel's status relative to other U.S. trading partners compiled by the U.S. International Trade Commission, available at http://dataweb.usitc.gov/SCRIPTS/cy_m3_run.asp.

that protect both countries' more sensitive agricultural sub-sectors with nontariff barriers, including import bans, quotas, and fees. Israeli exports to the United States have grown since the FTA became effective. Qualified Industrial Zones (QIZs) in Jordan and Egypt are considered part of the U.S.-Israel free trade area. In 2015, Israel imported approximately \$13.5 billion in goods from and exported \$24.5 billion in goods to the United States.⁸² The United States and Israel have launched several programs to stimulate Israeli industrial and scientific research, for which Congress has authorized and appropriated funds on several occasions.⁸³

Security Cooperation⁸⁴

Background

Strong bilateral relations have fueled and reinforced significant U.S.-Israel cooperation on defense, including military aid, arms sales, joint exercises, and information sharing. It has also included periodic U.S.-Israel governmental and industrial cooperation in developing military technology.

U.S. military aid has helped transform Israel's armed forces into one of the most technologically sophisticated militaries in the world. This aid for Israel has been designed to maintain Israel's "qualitative military edge" (QME) over neighboring militaries, since Israel must rely on better equipment and training to compensate for a manpower deficit in any potential regional conflict. U.S. military aid, a portion of which may be spent on procurement from Israeli defense companies, also has helped Israel build a domestic defense industry, and Israel in turn is one of the top exporters of arms worldwide.⁸⁵

On November 30, 1981, the United States and Israel signed an MOU establishing a framework for consultation and cooperation to enhance the national security of both countries. In 1983, the two sides formed a Joint Political Military Group (JPMG) to implement provisions of the MOU. Joint air and sea military exercises began in 1984, and the United States has constructed facilities to stockpile military equipment in Israel. In 1987, Israel was designated a "major non-NATO ally" by the Reagan Administration, and in 1996, under the terms of Section 517 of the Foreign Assistance Act of 1961, as amended, Congress codified this status, affording Israel preferential treatment in bidding for U.S. defense contracts and expanding its access to weapons systems at lower prices. In 2001, an annual interagency strategic dialogue, including representatives of diplomatic, defense, and intelligence establishments, was created to discuss long-term issues. This dialogue was halted in 2003 over bilateral tensions related to Israeli arms sales to China (see "Sensitive Defense Technology and Intelligence Issues" below), but resumed in 2005.

On May 6, 1986, Israel and the United States signed an MOU—the contents of which are classified—for Israeli participation in the Strategic Defense Initiative (SDI/"Star Wars"), under which U.S.-Israel co-development of the Arrow ballistic missile defense system has proceeded, as discussed below. In 1998, another U.S.-Israel MOU referred to growing regional threats from ballistic missiles. This MOU said that "In the event of such a threat, the United States

⁸² Statistics compiled by Foreign Trade Division, U.S. Census Bureau, available at <http://www.census.gov/foreign-trade/balance/c5081.html>.

⁸³ CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

⁸⁴ The Jewish Virtual Library maintains a page that contains hyperlinked documents, speeches, and reports under the heading "U.S.-Israel Relations: Strategic & Military Cooperation," available at <http://www.jewishvirtuallibrary.org/jsource/US-Israel/strattoc.html>.

⁸⁵ See, e.g., Yossi Melman, "High Stakes Poker," *Jerusalem Report*, May 2, 2016.

Government would consult promptly with the Government of Israel with respect to what support, diplomatic or otherwise, or assistance, it can lend to Israel.”

The U.S.-Israel Enhanced Security Cooperation Act (P.L. 112-150) of 2012 and U.S.-Israel Strategic Partnership Act (P.L. 113-296) of 2014 encouraged continued and expanded U.S.-Israel cooperation in a number of areas, including defense, homeland security, cyber issues, energy, and trade. The latter act designated Israel as a “major strategic partner” of the United States—a designation whose meaning has not been further defined in U.S. law or by the executive branch.

Preserving Israel’s Qualitative Military Edge (QME)

Since the late 1970s, successive Administrations have argued that U.S. arms sales are an important mechanism for addressing the security concerns of Israel and other regional countries. During this period, some Members of Congress have argued that sales of sophisticated weaponry to Arab countries may erode Israel’s QME over its neighbors. However, successive Administrations have maintained that Arab countries are too dependent on U.S. training, spare parts, and support to be in a position to use sophisticated U.S.-made arms against the United States, Israel, or any other U.S. ally in a sustained campaign. Arab critics routinely charge that Israeli officials exaggerate the threat they pose. Ironically, the threat of a nuclear-armed and/or regionally bolstered Iran, though it has partially aligned Israeli and Sunni Arab interests in deterring a shared rival, may be exacerbating Israeli fears of a deteriorated QME, as Saudi Arabia and other Gulf states dramatically increase defense procurements from U.S. and other foreign suppliers.

In 2008, Congress enacted legislation requiring that any proposed U.S. arms sale to “any country in the Middle East other than Israel” must include a notification to Congress with a “determination that the sale or export of such would not adversely affect Israel’s qualitative military edge over military threats to Israel.”⁸⁶ In parallel with this legal requirement, U.S. and Israeli officials continually signal their shared understanding of the U.S. commitment to maintaining Israel’s QME. However, the codified definition focuses on preventing arms sales to potential regional Israeli adversaries based on a calculation of conventional military threats. It is unclear whether calls for revisiting this definition or rethinking its implementation may arise in light of the evolving nature of potential regional threats to Israel’s security.

What might constitute a legally defined adverse effect to QME is not clarified in U.S. legislation. After the passage of the 2008 legislation, a bilateral QME working group was created allowing Israel to argue its case against proposed U.S. arms sales in the region.⁸⁷ Former Secretary of Defense Robert Gates wrote that, in 2010, the Obama Administration addressed concerns that

⁸⁶ §36(h) of the Arms Export Control Act, which contains the “qualitative military edge” requirement, was added by §201(d) of the Naval Vessel Transfer Act of 2008 (P.L. 110-429). The act defines QME as “the ability to counter and defeat any credible conventional military threat from any individual state or possible coalition of states or from nonstate actors, while sustaining minimal damages and casualties, through the use of superior military means, possessed in sufficient quantity, including weapons, command, control, communication, intelligence, surveillance, and reconnaissance capabilities that in their technical characteristics are superior in capability to those of such other individual or possible coalition of states or nonstate actors.” The details of official U.S. assessments of QME are generally classified.

⁸⁷ Barbara Opall-Rome, “Israeli Brass Decry U.S. Arms Sales to Arab States,” *Defense News*, January 23, 2012. According to this article, the U.S. side of the working group is led by the Under Secretary of Defense for Policy and Assistant Secretary of State for Political-Military Affairs, while the Israeli side is led by the Defense Ministry’s policy chief and the Israel Defense Forces director of planning.

Israel's leaders had about the possible effect on QME of a large U.S. sale of F-15 aircraft to Saudi Arabia by agreeing to sell Israel additional F-35 aircraft.⁸⁸

The U.S.-Israel Strategic Partnership Act (P.L. 113-296) enacted in December 2014 requires more frequent QME assessments and executive-legislative consultations. It also requires that QME determinations include evaluations of how potential arms sales would change the regional balance and interact with Israeli military capabilities, while also identifying measures Israel may need to take in response to the potential sales, and assurances the United States has made to Israel or has been requested to make by Israel in connection with the potential sales.

With the United States in the process of selling Arab Gulf states higher quantities of more advanced weapons in response to regional concerns about Iran, reports indicate that Israel has not voiced formal objections. This may be because the Administration is reportedly not offering the Gulf states certain high-performance items that Israel has purchased or plans to purchase, such as F-35 aircraft or GBU-28 bunker buster munitions.⁸⁹ Moreover, Israeli officials may calculate that U.S. sales to Gulf states work to their advantage by effectively requiring that Israel receive more advanced equipment as a result because of QME requirements.⁹⁰ Nevertheless, Israel did reportedly maintain reservations regarding U.S. combat aircraft sales to Kuwait, Qatar, and Bahrain until the U.S.-Israel aid MOU agreed upon in September 2016 reassured Israel that it will have the necessary means to finance its F-35 purchases.⁹¹ It is unclear whether changes in the nature, political positions, or military postures of Arab regimes might change Israeli threat perceptions over time.

Absent legislative clarification, the legality of future U.S. arms sales to various Arab aid recipients, partners, or allies—including Egypt, Saudi Arabia, Jordan, Lebanon, and Iraq—could become increasingly subject to challenge both by Israeli officials feeling heightened sensitivity to regional threats and by sympathetic U.S. policymakers.

U.S. Security Guarantees?

Although the United States and Israel do not have a mutual defense treaty or agreement that provides formal U.S. security guarantees,⁹² successive Administrations have either stated or implied that the United States would help provide for Israel's defense in the context of discussing specific threats, such as from Iran.⁹³ Meanwhile, U.S. Administrations and Congress have

⁸⁸ Eli Lake (citing *Duty* by Robert Gates), "In Gates Book, Details of Israel's Hard Bargaining Over Saudi Arms," *Daily Beast*, January 10, 2014. Gates recounted that he told Prime Minister Netanyahu and then Defense Minister Ehud Barak that they should welcome the sale to Saudi Arabia because of a common Israeli-Saudi interest in countering Iran, and that if the Saudis did not purchase U.S. arms, they might purchase arms from countries (such as France or Russia) that would not include Israel's QME in their calculations. A former senior Pentagon official was cited as saying that Israel's concerns were based on "worries about what might happen if the House of Saud lost power to a more radical regime." *Ibid*.

⁸⁹ Israel Confident F-35 Won't Be Sold To Gulf In Near-Term," *Defense News*, April 25, 2016; John Hudson, "Israel: Go Ahead and Give the Gulfies Guns," *foreignpolicy.com*, May 13, 2015.

⁹⁰ See, e.g., Dov Zakheim, "Summit to Nowhere," *foreignpolicy.com*, May 15, 2015.

⁹¹ Ran Dagoni, "Gulf states gain from new US-Israel aid package," *Globes*, September 19, 2016.

⁹² The United States and Israel do, however, have a Mutual Defense Assistance Agreement (TIAS 2675, dated July 23, 1952) in effect regarding the provision of U.S. military equipment to Israel, and have entered into a range of stand-alone agreements, memoranda of understanding, and other arrangements varying in their formality.

⁹³ President Obama, in an April 2015 interview defending the terms of the upcoming JCPOA, said, "Number one, this is our best bet by far to make sure Iran doesn't get a nuclear weapon, and number two, what we will be doing even as we enter into this deal is sending a very clear message to the Iranians and to the entire region that if anybody messes with Israel, America will be there." Thomas L. Friedman, "Iran and the Obama Doctrine," *New York Times*, April 5, (continued...)

supported Israel's ability to defend itself by embracing and even codifying the concept of helping maintain Israel's QME over regional threats, as discussed above.

Both houses of Congress routinely introduce and pass resolutions supporting Israel's right to defend itself and U.S. efforts to bolster Israel's capacity for self-defense. Some resolutions have included language that could imply support for more active U.S. measures to defend Israel. For example, H.Res. 523 and H.Con.Res. 21, both of which overwhelmingly passed the House (in 2005 and 2007, respectively) and addressed a possible Iranian threat, also both reasserted the "commitment of the United States to defend the right of Israel to exist as a free and democratic state."⁹⁴ Additionally, S.Res. 65, which the Senate passed in May 2013, reasserted a U.S. commitment to "ensuring the existence, survival, and security" of Israel and stated that the United States should provide "diplomatic, military, and economic support to the Government of Israel in its defense of its territory, people, and existence" if Israel is "compelled to take military action in legitimate self-defense against Iran's nuclear weapons program."

U.S. Aid and Arms Sales to Israel

Specific figures and comprehensive detail regarding various aspects of U.S. aid and arms sales to Israel are discussed in CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp. That report includes information on conditions that generally allow Israel to use its military aid earlier and more flexibly than other countries.

Aid

Israel is the largest cumulative recipient of U.S. foreign assistance since World War II. Since 1976, Israel has generally been the largest annual recipient of U.S. foreign assistance, with occasional exceptions after 2004 by Iraq and Afghanistan. Since 1985, the United States has provided approximately \$3 billion in grants annually to Israel. In the past, Israel received significant economic assistance, but now almost all U.S. bilateral aid to Israel is in the form of Foreign Military Financing (FMF). U.S. FMF to Israel represents approximately one half of total FMF and between 15-20% of Israel's defense budget.⁹⁵ The remaining two years of the current 10-year bilateral military aid MOU commit the United States to \$3.1 billion annually for FY2017 and FY2018, subject to congressional appropriations.

The United States also generally provides some annual American Schools and Hospitals Abroad (ASHA) funding and funding to Israel for migration assistance. Loan guarantees, arguably a form of indirect aid, also remain available to Israel through FY2015 under the U.S.-Israel Enhanced Security Cooperation Act (P.L. 112-150).

(...continued)

2015. In a March 2006 speech against the backdrop of Iran's hostile rhetoric toward Israel and pursuit of a nuclear program, President George W. Bush said, "I made it clear, I'll make it clear again, that we will use military might to protect our ally Israel." Seymour M. Hersh, "The Iran Plans," *New Yorker*, April 17, 2006.

⁹⁴ Additionally, in response to Iraqi Scud missile attacks on Israel during the 1991 Gulf War, both the House (H.Con.Res. 41) and Senate (S.Con.Res. 4) unanimously passed January 1991 resolutions "reaffirming America's continued commitment" to provide Israel with the means to maintain its freedom and security.

⁹⁵ Shmuel Even, "The Debate over Israel's Defense Budget," *Strategic Assessment*, March-April 2015.

Table 2. U.S. Bilateral Aid to Israel

(historical \$ in millions)

Year	Total	Military Grant	Economic Grant	Immig. Grant	ASHA	All other
1949-1996	68,030.9	29,014.9	23,122.4	868.9	121.4	14,903.3
1997	3,132.1	1,800.0	1,200.0	80.0	2.1	50.0
1998	3,080.0	1,800.0	1,200.0	80.0	—	—
1999	3,010.0	1,860.0	1,080.0	70.0	—	—
2000	4,131.85	3,120.0	949.1	60.0	2.75	—
2001	2,876.05	1,975.6	838.2	60.0	2.25	—
2002	2,850.65	2,040.0	720.0	60.0	2.65	28.0
2003	3,745.15	3,086.4	596.1	59.6	3.05	—
2004	2,687.25	2,147.3	477.2	49.7	3.15	9.9
2005	2,612.15	2,202.2	357.0	50.0	2.95	—
2006	2,534.5	2,257.0	237.0	40.0	—	0.5
2007	2,503.15	2,340.0	120.0	40.0	2.95	0.2
2008	2,423.9	2,380.0	—	40.0	3.90	—
2009	2,583.9	2,550.0	—	30.0	3.90	—
2010	2,803.8	2,775.0	—	25.0	3.80	—
2011	3,029.22	3,000.0	—	25.0	4.225	—
2012	3,098.0	3,075.0	—	20.0	3.00	—
2013	2,943.2	2,793.2	—	15.0	—	—
2014	3,115.0	3,100.0	—	15.0	—	—
2015	3,110.0	3,100.0	—	10.0	—	—
2016	3,110.0	3,100.0	—	10.0	—	—
2017 Request	3,107.5	3,100.0	—	7.5	—	—
Total	127,575.07	79,823.4	30,897.0	1,715.7	162.075	14,991.9

Notes: FY2000 military grants include \$1.2 billion for the Wye agreement and \$1.92 billion in annual military aid. The figure for FY2013 military grant aid was calculated after factoring in budget sequestration. For information on U.S. loan guarantees to Israel, see CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

New Aid MOU

On September 14, 2016, the U.S. and Israeli governments signed a new 10-year MOU on annual U.S. military aid,⁹⁶ which will come into effect in FY2019 after the current 10-year MOU runs its course.⁹⁷ The Administration has stated that it is the largest single pledge of military assistance in

⁹⁶ Josh Rogin, "U.S.-Israel deal held up over dispute with Lindsey Graham," *washingtonpost.com*, September 11, 2016.

⁹⁷ "Israel, US said to resolve key sticking points on aid deal," *Times of Israel*, August 1, 2016.

U.S. history.⁹⁸ One observer claimed that the deal provided vindication for Prime Minister Netanyahu and President Obama to some extent:

One, in Jerusalem, wanted to disprove the notion that he harmed bilateral relations with his country's greatest ally by picking a fight [over the 2015 Iran nuclear deal] with its leader.

And the other, soon to leave the White House, was looking for the ultimate seal of approval for his support to the Jewish State. Both ended the race legitimately claiming victory.⁹⁹

The new MOU will affect U.S. security-related funding for Israel—subject to annual congressional appropriations—as follows:

- Increases annual Foreign Military Financing (FMF) aid to Israel to \$3.3 billion (from a current level of \$3.1 billion).
- Sets an annual U.S. funding level for U.S.-Israel cooperative missile defense programs at \$500 million. Missile defense funding, which is appropriated from Defense Department accounts rather than State Department foreign aid accounts, was not included in past U.S.-Israel aid MOUs. Such funding has fluctuated above and below the \$500 million mark from year to year.
- Phases out (reportedly during the last half of the 10-year period¹⁰⁰) the longtime allowance for Israel to use 26.3% of annual FMF for purchases from its own domestic manufacturers. No similar allowance is available to other countries.
- Ends or significantly reduces Israel's past practice of using FMF for fuel purchases.

Reportedly, Israel has agreed in writing to refrain from requesting supplemental funding from Congress for the MOU's entire duration, except for special emergency needs resulting from an armed conflict.¹⁰¹ It is unclear how this will affect Congress's role in the appropriations process.

Additionally, Senator Lindsey Graham has said that as part of the deal, the Israeli government signed a letter agreeing to return any funds that Congress might appropriate for the remaining two years (FY2017 and FY2018) covered by the FY2009-FY2018 MOU that was finalized in 2007 during the Bush Administration.¹⁰² Senator Graham is Chairman of the Senate Appropriations Subcommittee on State, Foreign Operations, and Related Programs. This subcommittee's version of the FY2017 appropriations bill (S. 3117) would provide Israel with \$3.4 billion, \$300 million more than the \$3.1 billion called for in the current MOU. In September 2016, following the new MOU's signing, Senator Graham and six other Senators introduced the Emergency Supplemental Appropriations Act for the Defense of Israel, 2016 (S. 3363), which would appropriate additional emergency funds for Israel in the amount of \$750 million in FMF and \$750 million in missile defense funding.

⁹⁸ White House, "FACT SHEET: Memorandum of Understanding Reached with Israel," September 14, 2016.

⁹⁹ Nathan Guttman, "ANALYSIS: \$38B Israel Aid Deal Is Political Boon for Benjamin Netanyahu — and Barack Obama," *Jewish Daily Forward*, September 15, 2016. For information on debate regarding the MOU in Israel, see Yossi Melman, "An Unprecedented Deal?" *Jerusalem Report*, October 16, 2016.

¹⁰⁰ "Israel, US said to resolve key sticking points on aid deal," *Times of Israel*, August 1, 2016.

¹⁰¹ Guttman, op. cit.; Peter Baker and Julie Hirschfeld Davis, "U.S. and Israel Seal Huge Military Aid Deal," *New York Times*, September 14, 2016.

¹⁰² Josh Rogin, "Obama and Israel cut Congress out of the aid game," *washingtonpost.com*, September 14, 2016.

On July 25, 2016, the Israeli Prime Minister's office released a statement that read in part, "Israel places great value on the predictability and certainty of the military assistance it receives from the United States and on honoring bilateral agreements. Therefore, it is not in Israel's interest for there to be any changes to the fixed annual MOU levels without the agreement of both the U.S. Administration and the Israeli government. For FY2017, Israel remains committed to the FMF level specified in the current MOU, which is \$3.1 billion."

Arms Sales and Anti-Tunneling

Israel uses approximately 74% of its FMF to purchase arms, equipment, and fuel from the United States, in addition to receiving U.S. Excess Defense Articles (EDA).

In February 2015, Israel announced that it had reached agreement with the U.S.-based company Lockheed Martin to purchase 14 F-35 (Lightning II) next-generation fighter aircraft, which would add to the 19 it agreed to purchase in 2010. The 2015 agreement reportedly includes an option to purchase an additional 17 (which would bring the total to 50).¹⁰³ Israel has received U.S. approval to purchase up to 75 F-35s—potentially leading to as much as \$15.2 billion in purchases if all options are exercised. As part of the F-35 deal, the United States agreed to make reciprocal purchases of equipment from Israeli defense companies estimated at \$4 billion for these companies' participation in the F-35's manufacture.¹⁰⁴ Israel is supposed to be the first country outside the United States to receive the F-35, with the two initial fighters scheduled to arrive in December 2016. According to one source, Israel then anticipates delivery of an additional seven or eight per year until 2021.¹⁰⁵ Israel will install Israeli-made C4 (command, control, communications, computers) systems in the F-35s it receives, and will call these customized F-35s "*Adirs*."¹⁰⁶

Since Israel's summer 2014 conflict with Hamas and other militants in Gaza, Israel has sought U.S. assistance to develop, test, and produce systems to detect and destroy border-breaching tunnels Hamas had used during the conflict. The Consolidated Appropriations Act, 2016 (P.L. 114-113), included \$40 million from Overseas Contingency Operations (OCO) funding for U.S.-Israel cooperation in developing anti-tunnel technology,¹⁰⁷ and Israeli leaders have reportedly sought at least the same amount for FY2017 and FY2018.¹⁰⁸

On occasion, Israel-based companies have competed with U.S.-based companies for defense contracts with third-party countries. For example, in a 2014 tender for anti-tank missiles, India reportedly chose Israel's offer over a rival U.S. offer.¹⁰⁹ In another example, in September 2016,

¹⁰³ "Israel announces purchase of 14 more F-35 fighter jets," Associated Press, February 22, 2015.

¹⁰⁴ "Israel Set to Build Wings for Some 800 F-35s," *Reuters*, August 30, 2010. According to UPI, "Israel Aerospace Industries produces wings, Elbit Systems Ltd. works on the Generation III helmet-mounted display system and the F-35 center fuselage composite components." Richard Tomkins, "Work underway on F-35 for Israel," United Press International, January 11, 2016.

¹⁰⁵ Yossi Melman, "Expensive War Toy," *Jerusalem Report*, August 22, 2016.

¹⁰⁶ Aharon Lapidot, "After F-35 makes aliyah, it will get new Israeli identity," *Israel Hayom*, May 2, 2016. "Adir" is a Hebrew expression for "mighty" or "powerful."

¹⁰⁷ See the Joint Explanatory Statement for Defense accompanying P.L. 114-113 at page 119-A, available at <http://docs.house.gov/meetings/RU/RU00/20151216/104298/HMTG-114-RU00-20151216-SD004.pdf>.

¹⁰⁸ Barbara Opall-Rome, "Israel Eyes US Funding To Detect, Destroy Hamas Tunnels," *Defense News*, April 18, 2016.

¹⁰⁹ "India Chooses Israel Over US for \$525M Missile Deal, Sources Say," *Agence France Presse*, October 26, 2014.

Poland selected a variant of the U.S.-origin Patriot air defense system over Israel's David's Sling and other offers from the United States and France.¹¹⁰

End-Use Monitoring and Leahy Law Vetting

Sales of U.S. defense articles and services to Israel are made subject to the terms of both the AECA and the July 23, 1952, Mutual Defense Assistance Agreement between the United States and Israel (TIAS 2675). The 1952 agreement states:

The Government of Israel assures the United States Government that such equipment, materials, or services as may be acquired from the United States ... are required for and will be used solely to maintain its internal security, its legitimate self-defense ... and that it will not undertake any act of aggression against any other state.

Past Administrations have acknowledged that some Israeli uses of U.S. defense articles may have gone beyond the requirements under the AECA and the 1952 agreement that Israel use such articles for self-defense and internal security purposes. These past Administrations have transmitted reports to Congress stating that "substantial violations" of agreements between the United States and Israel regarding arms sales "may have occurred." The most recent report of this type was transmitted in January 2007 in relation to concerns about Israel's use of U.S.-supplied cluster munitions during military operations against Hezbollah in Lebanon during 2006.¹¹¹ Other examples include findings issued in 1978, 1979, and 1982 with regard to Israel's military operations in Lebanon and Israel's air strike on Iraq's nuclear reactor complex at Osirak in 1981. The Reagan Administration suspended the delivery of cluster munitions to Israel from 1982 to 1988 based on concerns about their use in Lebanon. The Reagan Administration also briefly delayed a scheduled shipment of F-15 and F-16 aircraft to Israel following Israel's 1981 strike on Iraq. If Israel takes future action with U.S. defense articles to preempt perceived security threats, allegations of AECA violations could follow, depending on specific circumstances.¹¹²

Additionally, Section 620M of the Foreign Assistance Act of 1961 (FAA), as amended (commonly known as the Leahy Law),¹¹³ prohibits the furnishing of assistance authorized by the FAA and the AECA to any foreign security force unit where there is credible information that the unit has committed a gross violation of human rights. The State Department implements Leahy vetting to determine which foreign security force units (and individuals within the units) are eligible to receive U.S. assistance or training. In 2016, Senator Patrick Leahy and 10 other Members of Congress corresponded with the State Department on the application of the Leahy Law to some specifically alleged instances of possible extrajudicial killings or torture by Israeli

¹¹⁰ Jen Judson, "Poland Wants Patriot With Different Battle Command System," *Defense News*, September 6, 2016.

¹¹¹ Sean McCormack, U.S. Department of State Spokesman, Daily Press Briefing, Washington, DC, January 29, 2007. The Consolidated Appropriations Act, 2008 (P.L. 110-161) significantly restricted the export of U.S.-manufactured cluster munitions. Restrictions on cluster munitions exports have been carried forward to apply to appropriations in subsequent years as well. Since 2008, Israel has been acquiring domestically manufactured cluster munitions.

¹¹² Some Palestinian groups and other Arab and international governments, along with at least one Member of Congress, have characterized Israeli military operations against Palestinians (such as Israel's 2008-2009 Operation Cast Lead, which was directed against Hamas in the Gaza Strip) as acts of aggression. During the 111th Congress, the Senate and the House overwhelmingly passed resolutions during the week of January 5, 2009 in connection with Operation Cast Lead that supported Israel's right to defend itself (S.Res. 10, H.Res. 34). Representative Dennis Kucinich, however, submitted a letter to then Secretary of State Condoleezza Rice arguing that "Israel's most recent attacks neither further internal security nor do they constitute 'legitimate' acts of self-defense." Office of Representative Dennis J. Kucinich, "Press Release: Israel May Be in Violation of Arms Export Control Act," January 6, 2009.

¹¹³ For background on the Leahy Law, see CRS Report R43361, "*Leahy Law*" Human Rights Provisions and Security Assistance: Issue Overview, coordinated by Nina M. Serafino.

personnel.¹¹⁴ The State Department assured the Members of Congress that it was properly conducting Leahy vetting and monitoring the instances that were mentioned in their letter.¹¹⁵

Missile Defense Cooperation

Congress routinely provides hundreds of millions of dollars in annual assistance beyond Administration requested amounts for Israel's Iron Dome anti-rocket system¹¹⁶ and joint U.S.-Israel missile defense programs such as Arrow and David's Sling. According to an Israeli source, the David's Sling system has already been delivered to the Israel air force, and it is expected to be declared operational in 2016.¹¹⁷ David's Sling is designed to counter long-range rockets and slower-flying cruise missiles fired at ranges from 100 km to 200 km, such as those possessed by Hezbollah in Lebanon.¹¹⁸ In July 2016, the United States and Israel announced that they had successfully conducted a special trial—the first of its kind in eight years—to test the connectivity of U.S.- and Israeli-controlled missile defense systems that are based in and around Israel.¹¹⁹

Because Iron Dome was developed by Israel alone, Israel initially retained proprietary technology rights to it. As the United States began financially supporting Israel's further development of Iron Dome in FY2011, U.S. interest in ultimately becoming a partner in its co-production grew. Congress then called for Iron Dome technology sharing and co-production with the United States.¹²⁰ In March 2014, the United States and Israeli governments signed a production agreement to enable components of the Iron Dome system to be manufactured in the United States, while also providing the U.S. Missile Defense Agency (MDA) with full access to proprietary Iron Dome technology. In May 2016, Israel's military said that it had successfully tested a naval version of Iron Dome (known as "C-Dome") and would begin deploying it to protect offshore gas rigs and other strategic assets. The system combines elements of the land-based Iron Dome system with naval radar.¹²¹

Observers speculate about the potential for exporting Iron Dome and its technology. According to one media report, the Israeli state-owned company that initially developed Iron Dome (Rafael Ltd.) has a teaming agreement with U.S.-based Raytheon Missile Systems Co. "whereby Raytheon co-markets Iron Dome for prospective sales in the US and select target markets. In parallel, Rafael is working with Raytheon to market the US Army-tested Tamir interceptor integrated into the service's Multi-Mission Launcher under a program called Sky Hunter."¹²²

¹¹⁴ See the text of the Members' February 17, 2016, letter to Secretary of State John Kerry at <http://www.politico.com/f/?id=00000153-c56c-d662-a75b-cfecc6be0000>.

¹¹⁵ See the text of Assistant Secretary of State for Legislative Affairs Julia Frifield's April 18, 2016, response letter to Representative Henry C. Johnson at <http://www.politico.com/f/?id=00000154-7c2f-d905-a357-7c7f04750000>.

¹¹⁶ Reports based on Israeli military sources indicate that Iron Dome has had a high rate of success in intercepting short-range rockets fired from Gaza. It is unknown if the United States or another third party has independently verified Israeli claims, and some analysts have debated the claims' validity.

¹¹⁷ Azulai, op. cit.

¹¹⁸ Dan Williams, "Israel to Deploy New 'David's Sling' Missile Shield in Mid-2016," Reuters, December 21, 2015.

¹¹⁹ Azulai, op. cit. The trial reportedly included such Israeli missile defense assets as David's Sling, Arrow 2, and Arrow 3; and such U.S. assets as Patriot (of which, some batteries have been acquired by Israel), Terminal High Altitude Air Defense (THAAD), Aegis, and the radar station located in Israel's Negev Desert. The trial was a follow-up to the biennial bilateral "Juniper Cobra" joint military exercise.

¹²⁰ Conference report language accompanying P.L. 112-239, the 2013 National Defense Authorization Act; Section 234 of P.L. 113-66, the 2014 National Defense Authorization Act.

¹²¹ Barbara Opall-Rome, "Israel Claims Intercept Success with Sea-Based Iron Dome," *Defense News*, May 18, 2016.

¹²² Barbara Opall-Rome, "Still No Sales for Israel's Iron Dome," *Defense News*, June 14, 2016. See also Yaakov Lappin and Daniel Wasserbly, "US Army trials Israel's Iron Dome interceptor for new air defence system," *IHS Jane's* (continued...)

Some reports and official statements indicate that Israel may have agreed to share elements of Iron Dome's radar technology with Singapore¹²³ and Canada.¹²⁴ However, in a June 2016 interview, an Israeli defense ministry official indicated that, to that point in time, Iron Dome had not been exported.¹²⁵

Table 3. Defense Budget Appropriations for U.S.-Israeli Missile Defense: FY2006-FY2017 Request

(historical \$ in millions)

Fiscal Year	Arrow II	Arrow III (High Altitude)	David's Sling (Short-Range)	Iron Dome	Total
FY2006	122.866	—	10.000	—	132.866
FY2007	117.494	—	20.400	—	137.894
FY2008	98.572	20.000	37.000	—	155.572
FY2009	74.342	30.000	72.895	—	177.237
FY2010	72.306	50.036	80.092	—	202.434
FY2011	66.427	58.966	84.722	205.000	415.115
FY2012	58.955	66.220	110.525	70.000 ^a	305.700
FY2013 ^b	40.800	74.700	137.500	194.000	479.736
FY2014	44.363	74.707	149.712	460.309	729.091
FY2015	56.201	74.707	137.934	350.972	619.814
FY2016	56.519	89.550	286.526	55.000	487.595
FY2017 Request	10.800	55.800	37.200	42.000	145.800

- a. These funds were not appropriated by Congress, but reprogrammed by the Obama Administration from other Department of Defense accounts.
- b. Figures for FY2013 calculated after factoring in budget sequestration.

Pending Security Cooperation Legislation

2017 National Defense Authorization Act (NDAA). The House-passed version of the NDAA (H.R. 4909) includes the following provisions:

- *Section 1250.* Would authorize up to \$25 million for U.S.-Israel cooperation in research and development of directed energy (laser) technologies to counter missiles, drones, mortars, and improvised explosive devices if the two countries can reach agreement on sharing costs and intellectual property rights.
- *Section 1259J.* Would authorize assistance to Israel “to improve maritime security and maritime domain awareness” over a five-year period. Activities for

(...continued)

Defence Weekly, April 21, 2016.

¹²³ Singapore Ministry of Defense, “Reply to Media Queries on RSAF’s MMR,” April 11, 2016.

¹²⁴ Ben Makuch, “Canada Just Bought Israel’s Iron Dome Radar Technology,” *Vice*, July 29, 2015.

¹²⁵ Opall-Rome, “Still No Sales for Israel’s Iron Dome,” op. cit.

which assistance would be specifically authorized include support for the David's Sling missile defense system, Israeli participation in joint maritime exercises with the United States, visits of U.S. vessels at Israeli ports, and research and development.

- *Section 1259N.* Would require the Administration to report within 180 days to congressional committees on (1) defensive capabilities and platforms requested by Israel, (2) the availability of such items for transfer, and (3) steps the President is taking to transfer such items.

The Senate-passed version of the NDAA (S. 2943) does not include any of the above provisions, but includes a separate provision that would increase the annual amount authorized for U.S.-Israel anti-tunneling cooperation (through calendar year 2018) from \$25 million to \$50 million if such funds are matched in the corresponding calendar year by Israel. Of any U.S. amounts used for this purpose in FY2017, not less than 50% would be for research, development, test, and evaluation activities in the United States.

Both H.R. 4909 and S. 2943 would authorize funding for Israel-based missile defense systems beyond the Administration's budget request, but the aggregate increases in S. 2943 are less than in H.R. 4909. A July 2016 letter from 36 Senators urged the chairmen of the conference reconciling the two bills to use the H.R. 4909 figures.¹²⁶

2017 Department of Defense Appropriations Act. Following the pattern from previous years, both the House-passed (H.R. 5293) and Senate-introduced (S. 3000) versions of this act would provide funding for Israel-based missile defense systems beyond the Administration's budget request.¹²⁷ On June 14, 2016, in a document opposing a number of items in H.R. 5293, the Administration said that it "opposed the addition of \$455 million above the FY 2017 Budget request for Israeli missile defense procurement and cooperative development programs."¹²⁸ In a June 15, 2016, daily press briefing, the State Department spokesperson explained the Administration's position by saying that \$455 million "is the largest such non-emergency increase ever and, if it's funded, would consume a growing share of a shrinking U.S. Missile Defense Agency's budget." Some observers interpreted the Administration's position as possibly being linked to the then-ongoing MOU negotiations.¹²⁹

Sensitive Defense Technology and Intelligence Issues

Arms sales, information sharing, and co-development of technology between the United States and Israel raises questions about what Israel might do with capabilities or information it acquires. The sale of U.S. defense articles or services to Israel and all other foreign countries is authorized

¹²⁶ Kristina Wong, "Tim Kaine backs call to boost funding for Israeli missile defense," *The Hill*, July 26, 2016.

¹²⁷ Both the House and the Senate versions would increase funding from Administration requested levels for Iron Dome from \$42 million to \$62 million, for David's Sling from \$37.2 million to \$266.5 million, for Arrow 2 from \$10.8 million to \$67.3 million, and for Arrow 3 from \$55.8 million to \$204.9 million. For some information on the Congress-Administration dynamics of the process regarding FY2017 funding, see Julian Pecquet, "Obama, Congress hurtle toward showdown over Israel missile defense," *Al-Monitor Congress Pulse*, April 27, 2016.

¹²⁸

https://www.whitehouse.gov/sites/default/files/omb/legislative/sap/114/saphr5293r_20160614.pdf?elqTrackId=6EC9CEC95DE185EB4389F47C7BDB2988&elq=b8956db884d14431acb7ea48bb94f526&elqaid=19132&elqat=1&elqCampaignId=11805.

¹²⁹ See, e.g., Michael Wilner, "The White House missile aid objection: An MOU negotiating tactic?" *jpost.com*, June 19, 2016.

subject to the provisions of the Arms Export Control Act (AECA) (see §40A of P.L. 90-629, as amended)¹³⁰ and the regulations promulgated to implement it. Section 3 of the AECA stipulates that in order to remain eligible to purchase U.S. defense articles, training, and services, foreign governments must agree not to use purchased items and/or training for purposes other than those permitted by the act, or to transfer them to third-party countries (except under certain specifically enunciated conditions), without the prior consent of the President.

The United States and Israel have regularly discussed Israel's sale of sensitive security equipment and technology to various countries, especially China.¹³¹ In 2003, Israel's agreement to upgrade radar-seeking Harpy Killer drones that it sold to China in 1999 dismayed the Department of Defense (DOD). DOD retaliated by suspending its joint strategic dialogue with Israel and its technological cooperation with the Israel Air Force on the F-35 aircraft and several other programs. On August 17, 2005, DOD and the Israeli Ministry of Defense issued a joint press statement reporting that they had signed an understanding "designed to remedy problems of the past that seriously affected the technology security relationship and to restore confidence in the technology security area."¹³² Thereafter, the U.S.-Israel joint strategic dialogue resumed. Sources have reported that this understanding has given the United States de facto veto power over Israeli third-party arms sales that the United States deems harmful to its national security interests.¹³³

In the past 30 years, there have been at least three cases in which U.S. government employees were convicted of disclosing classified information to Israel or of conspiracy to act as an Israeli agent.¹³⁴ Reports indicate that concerns regarding possible Israeli espionage persist among U.S. officials.¹³⁵

¹³⁰ 22 U.S.C. §2785.

¹³¹ Office of Naval Intelligence, *Worldwide Challenges to Naval Strike Warfare*, 1996. The 1997 edition of this report said that the design for China's J-10 fighter (also known as the F-10—the designation used in the report) "had been undertaken with substantial direct assistance, primarily from Israel and Russia, and with indirect assistance through access to U.S. technologies." ONI, *Worldwide Challenges to Naval Strike Warfare*, 1997. See also Robert Hewson, "Chinese J-10 'benefited from the Lavi project,'" *Jane's Defence Weekly*, May 16, 2008; Duncan L. Clarke and Robert J. Johnston, "U.S. Dual-Use Exports to China, Chinese Behavior, and the Israel Factor: Effective Controls?" *Asian Survey*, Vol. 39, No. 2, March-April 1999. The Lavi fighter (roughly comparable to the U.S. F-16) was developed in Israel during the 1980s with approximately \$1.5 billion in U.S. assistance, but did not get past the prototype stage. In 2000, a planned Israeli sale to China of the Phalcon airborne radar system was canceled under U.S. pressure.

¹³² "U.S. Israel Agree to Consult on Future Israeli Weapons Sales - Nations Affirm Joint Commitment to Address Global Security Challenges," U.S. State Department Press Release, August 17, 2005.

¹³³ Barbara Opall-Rome, "U.S. OKs Israel-China Spy Sat Deal," *Defense News*, October 12, 2007. This article quotes a U.S. official as saying, "We don't officially acknowledge our supervisory role or our de facto veto right over their exports.... It's a matter of courtesy to our Israeli friends, who are very serious about their sovereignty and in guarding their reputation on the world market."

¹³⁴ The most prominent espionage case is that of Jonathan Pollard, who pled guilty in 1986 with his then wife Anne to selling classified documents to Israel. Israel later acknowledged that Pollard had been its agent, granted him citizenship, and began petitioning the United States for his release. Pollard was released on parole in November 2015. The second case is that of Department of Defense analyst Lawrence Franklin, who pled guilty in 2006 to disclosing classified information to an Israeli diplomat and to two lobbyists from the American Israel Public Affairs Committee (AIPAC). The third case is that of Ben-Ami Kadish, who had worked at the U.S. Army's Armament Research, Development, and Engineering Center in Dover, New Jersey. Kadish pled guilty in 2009 to one count of conspiracy to act as an unregistered agent of Israel.

¹³⁵ Jeff Stein, "Israel Won't Stop Spying on the U.S.," *Newsweek*, May 6, 2014; Calev Ben-David, "Israel Visa Flap With U.S. Stirs Up Spy Charges, Profiling Claim," *Bloomberg*, May 8, 2014.

Israeli-Palestinian Issues

For historical background on these issues, see CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

Peace Process Diplomacy and International Involvement

Overview

Official U.S. policy continues to favor a “two-state solution” to address core Israeli security demands as well as Palestinian aspirations for national self-determination. Continued failure by Israelis and Palestinians to make progress toward a negotiated solution could have a number of regional and global implications. Israeli actions regarding security arrangements and settlement construction in the West Bank and East Jerusalem could have ramifications for the resolution of final-status issues. Palestinian leaders support initiatives to advance their statehood claims and appear to be encouraging international legal and economic pressure on Israel in an effort to improve the Palestinian position vis-à-vis Israel. U.S. and international efforts to preserve the viability of a negotiated two-state solution attract skepticism because of regional turmoil and domestic reluctance among key Israeli and Palestinian leaders and constituencies to contemplate political or territorial concessions.

Meanwhile, Israelis debate whether their leaders should participate in international initiatives, advance their own diplomatic proposals, act unilaterally, or manage the “status quo.” Netanyahu has publicly welcomed resuming negotiations without preconditions, while insisting that regional difficulties forestall or seriously impede prospects for mutual Israeli-Palestinian concessions through negotiation. Additionally, several government ministers openly oppose a two-state solution.¹³⁶ Toward the left of the political spectrum, some Israeli politicians welcome the prospect of greater U.S. involvement in principle, claiming that regional challenges, Israel’s international ties, and demographic changes make resolving the Palestinian issue a priority. Even so, center-left leaders such as Yitzhak Herzog of the main opposition Labor party seem to acknowledge that a two-state solution is unlikely in the near term.¹³⁷

The internationally mandated land-for-peace framework that has undergirded U.S. policy since the June 1967 Arab-Israeli war presupposes broad Arab acceptance of any final-status Israeli-Palestinian agreement, and, more fundamentally, Arab acceptance of Israel. Formally, the Arab League remains committed to “land for peace,” as reflected in the 2002 Arab Peace Initiative.¹³⁸ Israelis insist that their security needs must be met for them to be willing to relinquish West Bank land in a negotiated two-state solution with the Palestinians.

The United States, together with the other members of the international Quartet (the European Union, the United Nations Secretary-General’s office, and Russia), continues to advocate for

¹³⁶ “Only Four of 20 Israeli Ministers Openly Declare Support of Two-state Solution,” *haaretz.com*, June 27, 2016.

¹³⁷ Jonathan Lis, “Labor Adopts Herzog’s Plan for Separation from Palestinians as Party Platform,” *haaretz.com*, February 8, 2016.

¹³⁸ The Arab Peace Initiative offers a comprehensive Arab peace with Israel if Israel were to withdraw fully from the territories it occupied in 1967, agree to the establishment of a Palestinian state with a capital in East Jerusalem, and provide for the “[a]chievement of a just solution to the Palestinian Refugee problem in accordance with UN General Assembly Resolution 194.” The initiative was proposed by Saudi Arabia, adopted by the 22-member Arab League (which includes the PLO), and later accepted by the 56-member Organization of the Islamic Conference (now the Organization of Islamic Cooperation) at its 2005 Mecca summit. The text of the initiative is available at <http://www.bitterlemons.org/docs/summit.html>.

Israeli-Palestinian talks aimed at a peace deal under the framework initially established by the Oslo agreements of the 1990s. During the first two years of President Obama's and Prime Minister Netanyahu's time in office, attempts by the United States to get Israel to freeze settlement construction beyond the 1949-1967 armistice line (known as the "Green Line") were only partially successful (see "Settlements" below) and did not lead to a meaningful resumption of negotiations.¹³⁹

During the next two years, PLO Chairman Mahmoud Abbas pursued major initiatives outside of the negotiating process at the United Nations and U.N.-related agencies. These initiatives were aimed at increasing the international legitimacy of Palestinian claims of statehood in the West Bank and Gaza. On November 29, 2012, the U.N. General Assembly (UNGA) adopted Resolution 67/19, changing the permanent observer status of the PLO (recognized as "Palestine" within the U.N. system) from an "entity" to a "nonmember state."¹⁴⁰ This took place a year after the PLO gained admission in November 2011 to the U.N. Educational, Scientific and Cultural Organization (UNESCO).¹⁴¹ Abbas resumed international initiatives, most prominently regarding the International Criminal Court, following a round of U.S.-brokered Israeli-Palestinian negotiations that began in July 2013 and unraveled in the spring of 2014. Additionally, on December 30, 2014, a Palestinian-backed, U.S.-opposed U.N. Security Council draft resolution regarding some contentious Israeli-Palestinian issues garnered only eight of the required nine votes for adoption.¹⁴² For more information, see CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti.

¹³⁹ Netanyahu accepted the idea of a two-state solution in principle, but insisted that any Palestinian state would need to be demilitarized and remain subject to indefinite Israeli control of its airspace, the electromagnetic spectrum used for telecommunications, and the Jordan Valley. President Obama's May 2011 speeches calling for renewed Israeli-Palestinian negotiations focused on the issues of borders and security parameters. Netanyahu complained that Obama's proposal to use the Green Line as the reference point for border negotiations did not properly take into account historical Israeli security concerns regarding defensibility of territory.

¹⁴⁰ 138 member states voted in favor of Resolution 67/19, nine voted against (including the United States and Israel), and 41 abstained. The PLO has had permanent observer status at the United Nations since 1974. "Palestine" maintains many of the capacities it had as an observer entity—including participation in General Assembly debates and the ability to co-sponsor draft resolutions and decisions related to proceedings on Palestinian and Middle East issues. However, it is not a member of the United Nations, and does not have the right to vote or to call for a vote in the General Assembly. For more information on this resolution and various Palestinian international initiatives, see CRS Report RL34074, *The Palestinians: Background and U.S. Relations*, by Jim Zanotti; CRS Report R43614, *Membership in the United Nations and Its Specialized Agencies*, by Luisa Blanchfield and Marjorie Ann Browne; and CRS Report R42999, *The United Nations Educational, Scientific, and Cultural Organization (UNESCO)*, by Luisa Blanchfield and Marjorie Ann Browne.

¹⁴¹ However, the PLO's fall 2011 application to obtain membership in the United Nations has not cleared the U.N. Security Council's membership committee. U.N. Security Council, "Report of the Committee on the Admission of New Members concerning the application of Palestine for admission to membership in the United Nations," S/2011/705, November 11, 2011.

¹⁴² U.N. Press Release: "Resolution in Security Council to Impose 12-Month Deadline on Negotiated Solution to Israeli-Palestinian Conflict Unable to Secure Nine Votes Needed for Adoption," December 30, 2014. Among other issues, the draft resolution would have affirmed "the urgent need" to attain a negotiated two-state solution within 12 months, and would have "decided" that the solution was to be based on a number of parameters, including "a full and phased withdrawal of the Israeli occupying forces, which will end the occupation that began in 1967 over an agreed transition period in a reasonable timeframe, not to exceed the end of 2017." See the text of the draft resolution at <http://unispal.un.org/unispal.nsf/5ba47a5c6cef541b802563e000493b8c/a12252711015996d85257dbf00536b1c?OpenDocument>.

Outstanding Issues

Media reports from the failed 2013-2014 negotiations indicated that substantive differences divided Israelis and Palestinians on core issues of dispute. Abbas was reportedly unwilling to explicitly recognize Israel as “the nation-state of the Jewish people” because of the potential repercussions for Palestinian refugees’ claim to a right of return and for Israeli Arabs’ rights.¹⁴³ Other Arab foreign ministers reportedly informed Secretary of State John Kerry that they would “not accept Israel as a Jewish state nor compromise on Palestinian sovereignty in Jerusalem.”¹⁴⁴ Prime Minister Netanyahu repeatedly raised the issue of Jewish refugees from predominantly Muslim Middle Eastern countries.¹⁴⁵

Additionally, despite efforts in 2013 by Kerry and a team of U.S. experts headed by retired Marine General John R. Allen to bridge the divide between the two sides on security arrangements in the Jordan Valley border area of the West Bank, reports asserted that neither side embraced the proposals. The PLO has rejected an indefinite Israeli military presence within what they assert would be sovereign Palestinian territory,¹⁴⁶ while Israel communicated unwillingness to phase out its presence¹⁴⁷—largely owing to recent historical instances in which Israeli military withdrawal from southern Lebanon (2000) and the Gaza Strip (2005) led to the entrenchment of adversarial Islamist militants armed with rockets that have hit Israeli population centers and remain capable of doing so.

¹⁴³ Israel’s insistence on this explicit recognition has reportedly gained in emphasis over time, and Palestinian officials claim that the demand is a “new addition” to negotiations that was not included at the time the Oslo process began in the 1990s. See, e.g., Dan Perry, “Israeli demand sparks ‘Jewish state’ debate,” Associated Press, February 21, 2014; Jodi Rudoren, “Sticking Point in Peace Talks: Recognition of a Jewish State,” *New York Times*, January 1, 2014. In May 8, 2014, remarks, then U.S. Special Envoy for Israeli-Palestinian Negotiations Martin Indyk said that Israeli insistence on recognition of Israel as the nation-state of the Jewish people was introduced into an Israeli-Palestinian negotiating context by Tzipi Livni when she was Israeli foreign minister during the 2007-2008 Annapolis process. The Pursuit of Middle East Peace: A Status Report, Ambassador Martin Indyk, Washington Institute for Near East Policy, May 8, 2014.

¹⁴⁴ Elhanan Miller, “Arab ministers back Abbas in rejecting ‘Jewish’ Israel,” *Times of Israel*, January 13, 2014. The United States sometimes seeks regional Arab support on certain positions that are domestically unpopular with Palestinians, probably in order to create political space for PLO leaders to more seriously consider accepting these positions or to apply pressure on them to do so. In April 2013, representatives of the Arab League agreed that land swaps could be an element of a conflict-ending agreement between Israel and the PLO. For information on the Arab Peace Initiative, see footnote 138.

¹⁴⁵ See, e.g., “Don’t forget what we lost, too,” *Economist*, February 15, 2014. In the 112th Congress, Representative Jerrold Nadler sponsored H.R. 6242 (“To direct the President to submit to Congress a report on actions the executive branch has taken relating to the resolution of the issue of Jewish refugees from Arab countries.”). The bill garnered 10 co-sponsors.

¹⁴⁶ In a January 2014 interview for a conference held by Israel’s Institute for National Security Studies, Abbas said that he could accept a “transitional period” (presumably applying to Jordan Valley security) of no more than three years for Israel to gradually withdraw, at which point a third party—Abbas proposed NATO—could take Israel’s place as a security guarantor. Footage with English translation available at <http://www.youtube.com/watch?v=Cx9tY8JU1kQ&list=PLCapdZwzDpNlwSoHcbkXL9sMVbQcQMaQ->.

¹⁴⁷ Shimon Shiffer, “Ya’alon: Kerry should win his Nobel and leave us alone,” *Ynetnews*, January 14, 2014. Israeli Defense Minister Ya’alon reportedly responded to proposals by the Kerry-Allen team as follows: “You presented us with a plan that is based on sophisticated technology, on satellites, sensors, war rooms with television screens—without a presence of our troops on the ground. And I ask you—how will technology respond when a Salafist or Islamic Jihad cell tries to commit a terror attack against Israeli targets? ... Which satellites will handle the rocket industry developing today ... that will be fired at Tel Aviv and central Israel?” Josef Federman, “Israeli defense chief comments spark spat with US,” Associated Press, January 14, 2014.

Contention has persisted between the parties over possible land swaps and mutual allegations of incitement and provocation.¹⁴⁸ During the March 2015 Israeli election campaign, a document was apparently leaked to the media purporting to show a willingness by Netanyahu in late 2013 to engage in land swaps based on pre-1967 armistice lines, and to be flexible on other issues (such as Palestinian refugees and Jerusalem).¹⁴⁹ It is unclear whether the document reflected Netanyahu's positions of that time.¹⁵⁰ In May 2015, Netanyahu's proposal to negotiate the boundaries of settlement blocs to eventually be annexed by Israel was quickly rebuffed by the PLO. The proposal may have been at least partly motivated by an Israeli desire to project good faith efforts toward diplomacy and to legitimize construction activities within settlement blocs in a way that might ease the international—and particularly European—political and economic pressure Israel faces.¹⁵¹

The Path Ahead

A number of questions surround the future of the Israeli-Palestinian peace process, including

- How will recent conflict, diplomatic confrontation, and ongoing tensions among Israelis and Palestinians affect prospects for future negotiations and a two-state solution?
- Can the PA achieve genuinely united rule over the West Bank and Gaza through factional arrangements between Fatah and Hamas, and if so, how will that help the PLO's credibility as an interlocutor with Israel and other international actors?
- Will the United States put forward parameters or a framework on core issues of conflict meant to advance the process, and if so, when? How will the United States address unilateral efforts by Israelis and Palestinians, as well as efforts by international actors or organizations, to affect political and security-related outcomes?

Observers speculate that the United States might set forth or agree to terms of reference in a presidential statement or U.N. Security Council initiative calculated to preserve the viability of a negotiated two-state solution and of U.S. diplomatic leadership on the issue.¹⁵² After the September 2016 signing of the U.S.-Israel aid MOU, President Obama asserted that “we will continue to press for a two-state solution to the longstanding Israeli-Palestinian conflict, despite the deeply troubling trends on the ground that undermine this goal.”¹⁵³ On the same day, National

¹⁴⁸ William Booth, “Israel says Palestinians push a ‘culture of hate’ that could undermine talks,” *Washington Post*, January 7, 2014.

¹⁴⁹ Nahum Barnea, “Netanyahu’s secret peace offer concessions to Palestinians revealed,” *Ynetnews*, March 6, 2015. Its partial publication may have at least partly motivated Netanyahu’s skeptical remarks regarding prospects for a two-state solution near the end of the campaign.

¹⁵⁰ An unnamed senior official in Netanyahu’s office was cited as saying that the document leaked reflected American positions, not Netanyahu’s. Linda Gradstein, “Netanyahu rules out Palestinian state based out ’67 borders with swaps in order to shore up right flank,” *Media Line*, March 9, 2015.

¹⁵¹ Jack Khoury and Barak Ravid, “Palestinians reject Netanyahu’s proposal to discuss settlement borders,” *haaretz.com*, May 26, 2015.

¹⁵² Uri Savir, “Obama’s three diplomatic options for Mideast peace,” *Al-Monitor Israel Pulse*, October 16, 2016. France hosted a June 2016 conference of foreign ministers (including Secretary of State Kerry) that reportedly established working groups to craft terms of reference for a possible future resumption of negotiations. Leslie Susser, “The Netanyahu enigma,” *Jerusalem Report*, June 26, 2016.

¹⁵³ White House, Statement by the President on the Memorandum of Understanding Reached with Israel, September 14, 2016.

Security Advisor Susan Rice said, “We don’t have any plans to do anything particularly dramatic at this point. We continue to want to see a two-state solution remain a live option. It’s vitally important.”¹⁵⁴ On September 20, 88 Senators sent a letter to Obama urging him to veto any one-sided U.N. Security Council resolution that may be offered in the coming months, “whether focused on settlements or other final-status issues.”¹⁵⁵

Netanyahu and Lieberman have welcomed efforts by Russia¹⁵⁶ and Egypt to facilitate an initiative involving Arab states “which share security interests with Israel and have leverage on the Palestinians.”¹⁵⁷ However, some analysts assert that Arab states are distracted by other internal and regional concerns¹⁵⁸ and are unlikely to use their leverage unless Israel shows a willingness to contemplate concessions envisioned in the 2002 Arab Peace Initiative.¹⁵⁹

In the meantime, U.S. efforts to prevent or mitigate crises could depend largely on continued Israel-PA West Bank security cooperation¹⁶⁰ and the PA’s ability to continue paying its employees’ salaries. Also, questions persist regarding the aging Abbas’s remaining tenure and what will happen when he leaves office.¹⁶¹

Jerusalem

Israel annexed East Jerusalem (which includes the walled Old City, with its Temple Mount/Haram al Sharif [“Mount/Haram”] and Western Wall, and most of the surrounding “historic basin”) and some of its immediate West Bank vicinity in 1967—shortly after occupying these areas militarily in the June 1967 Arab-Israeli war. In doing so, Israel joined these newly occupied areas,¹⁶² which featured a predominantly Arab population, to the predominantly Jewish western part of the city it had controlled since 1948. Israel proclaimed this entire area to be

¹⁵⁴ Julie Hirschfeld Davis, “Obama Prods Netanyahu After Signing of U.S.-Israel Deal,” *New York Times*, September 15, 2016.

¹⁵⁵ The text of the letter is available at <https://www.gillibrand.senate.gov/newsroom/press/release/senators-gillibrand-and-rounds-lead-bipartisan-initiative-urging-president-obama-to-reject-and-if-needed-veto-any-one-sided-resolutions-at-the-united-nations>. 394 Representatives signed a similar letter to President Obama in April 2016. Its text is available at http://kaygranger.house.gov/sites/granger.house.gov/files/Letter%20to%20President%20Obama%20supporting%20direct%20negotiations%20%E2%80%93signed%20by%20394%20Members%20of%20Congress_1.pdf.

¹⁵⁶ Zvi Magen and Udi Dekel, “Russia’s Initiative on the Israeli-Palestinian Process: Another Move to Regain Influence in the Middle East,” Institute for National Security Studies Insight No. 853, September 13, 2016.

¹⁵⁷ Susser, “The Netanyahu enigma,” op. cit.

¹⁵⁸ See, e.g., Uri Savir (translated from Hebrew), “Have Arab leaders forgotten about Palestine?” *Al-Monitor Israel Pulse*, July 10, 2016.

¹⁵⁹ See, e.g., Bruce Maddy-Weitzman, “How far can they go?,” *Jerusalem Report*, June 27, 2016. The Arab Peace Initiative offers a comprehensive Arab peace with Israel if Israel were to withdraw fully from the territories it occupied in 1967, agree to the establishment of a Palestinian state with a capital in East Jerusalem, and provide for the “[a]chievement of a just solution to the Palestinian Refugee problem in accordance with UN General Assembly Resolution 194.” The initiative was proposed by Saudi Arabia, adopted by the 22-member Arab League (which includes the PLO), and later accepted by the 56-member Organization of the Islamic Conference (now the Organization of Islamic Cooperation) at its 2005 Mecca summit. The text of the initiative is available at <http://www.bitterlemons.org/docs/summit.html>.

¹⁶⁰ Adnan Abu Amer (translated from Arabic), “Is the PA coordinating arrests with Israel?,” *Al-Monitor Palestine Pulse*, April 28, 2016; Joshua Davidovich, “Days of death and destruction,” *Times of Israel*, July 3, 2016.

¹⁶¹ Ben Lynfield, “Creating chaos,” *Jerusalem Report*, September 5, 2016.

¹⁶² Jordan had occupied these areas militarily since 1948, and unilaterally annexed them and the entire West Bank in 1950. It only ceded its claims in 1988—to the PLO.

Israel's eternal, undivided capital.¹⁶³ Polls indicate that a large majority of Israelis believe that a united Jerusalem is their capital and support Jewish residential construction of neighborhoods (the Israeli term) or settlements (the general internationally used term) within that part of Jerusalem that is east of the Green Line and within the Israeli-drawn municipal borders. Israel's annexation of areas beyond the Green Line is not internationally recognized. Palestinians who live in Jerusalem and/or have Israeli citizenship generally face fewer security-based access restrictions than do residents of the West Bank and Gaza Strip.¹⁶⁴

Tensions Regarding the "Status Quo" at the Mount/Haram

The status of Jerusalem and its holy sites has been a long-standing issue of political and religious contention between Jews and Muslims. A number of violent episodes occurred in Jerusalem during the 1920s and 1930s, and control over the city and key areas in and around it was a major strategic consideration in the Arab-Israeli wars of 1948 and 1967.

Notwithstanding Israel's 1967 takeover and subsequent annexation of East Jerusalem, it allowed the Jordanian *waqf* (or Islamic custodial trust) that had been administering the Mount/Haram and its holy sites before the war to continue doing so, and established a "status quo" arrangement that has been Israel's proclaimed policy since then. Under the arrangement (largely based on past practices dating from the 16th century until the 1948 war), Muslims can access the Mount/Haram and worship there, while Jews and other non-Muslims are permitted limited access but not permitted to worship. Jewish worship is permitted at the Western Wall at the base of the Mount/Haram. Occasional access restrictions applied to Muslim patrons, such as those based on gender and/or age, have contributed to allegations that Israeli implementation of the status quo has been "piecemeal."¹⁶⁵

The status quo is criticized and challenged by some individuals and groups who assert that Israel should advance Jewish historical and religious claims to the Mount/Haram, despite Chief Rabbinate rulings proscribing Jewish visits there.¹⁶⁶ Various events apparently triggering concerns among Palestinians about possible Israeli attempts to change the status quo have arguably fueled tensions, including:

- September 1996 clashes (during Netanyahu's first term as prime minister) leading to the deaths of 54 Palestinians and 14 Israeli security personnel after Israel opened a passage leading to/from the Western Wall esplanade through a tunnel (known as the Hasmonean or Kotel Tunnel) that archeologists had uncovered and restored.¹⁶⁷
- A September 2000 Mount/Haram visit by Likud Party leader (and future prime minister) Ariel Sharon just prior to the outbreak of the second Palestinian intifada.
- Changes in 2003 where Israel ended coordination with the Jordanian *waqf* over non-Muslim visits to the Mount/Haram and the *waqf* began restricting non-Muslims from entering the Dome of the Rock and Al Aqsa Mosque.¹⁶⁸
- A series of incidents since fall 2014 featuring visits by Israeli political figures to the Mount/Haram, protests, violence, and periodic access closures.¹⁶⁹
- The October 2016 adoption of Arab-sponsored resolutions by UNESCO's Executive Board and World Heritage

¹⁶³ In 1980, under the first Likud Party government, the Israeli Knesset passed the Basic Law: Jerusalem—Capital of Israel, which declares "Jerusalem, complete and united, is the capital of Israel." See <http://www.mfa.gov.il> for the complete text of the Basic Law. Israel had first declared Jerusalem to be its capital in 1950.

¹⁶⁴ For information on the legal status of Palestinian residents of East Jerusalem, see http://www.btselem.org/jerusalem/legal_status.

¹⁶⁵ Wendy Pullan, *et al.*, *The Struggle for Jerusalem's Holy Places*, Routledge: New York, 2013, p. 15; Ir Amim and Keshev, *Dangerous Liaison: The Dynamics of the Rise of the Temple Movements and Their Implications*, March 1, 2013, pp. 12-15.

¹⁶⁶ Jeremy Sharon, "Chief Rabbis reimpose ban on Jews visiting Temple Mount," *jpost.com*, December 2, 2013.

¹⁶⁷ Pullan, *op. cit.*, p. 37.

¹⁶⁸ State Department 2015 Report on International Religious Freedom, Israel and the Occupied Territories; Tova Dvorin, "Jordan Pushes Full Control Over Temple Mount, Israel Rejects," *Arutz Sheva*, October 19, 2015.

¹⁶⁹ See, e.g., International Crisis Group, "How to Preserve the Fragile Calm at Jerusalem's Holy Esplanade," Middle East Briefing No. 48, April 7, 2016.

Committee. The resolutions criticized various Israeli actions, including those at and around the Mount/Haram, and downplayed Jewish names and historical narratives in connection with various holy sites.¹⁷⁰ In response to the Executive Board resolution, Israel suspended its cooperation with UNESCO,¹⁷¹ and UNESCO's Director-General raised concerns about the effect that divisions based on religious narrative might have on UNESCO's ability to carry out its mission.¹⁷²

These tensions exist within a larger context of competing national and religious narratives regarding Jerusalem and its administration and development. In some cases, officials who embrace a Jewish or Muslim narrative make statements or take actions respecting the Mount/Haram that diminish the other narrative.¹⁷³

Israelis have routinely used their influence with municipal and national authorities to advance Jewish objectives in the city, while Palestinians with little or no influence over Jerusalem's formal administration have resorted to protests and occasional violence.¹⁷⁴ Some local and international observers and civil society organizations seek to raise legal objections to and/or international consciousness regarding the situation. Jewish Israeli public opinion overwhelmingly opposes any division of the city in a potential agreement with the PLO.¹⁷⁵ Some Knesset members have sought to bring legislation to a vote regarding Jewish worship on the Mount/Haram.¹⁷⁶

Apparently seeking to quell tensions and reassure Jordan, the United States, and other key international third parties, Netanyahu has insisted that the status quo access arrangements for the Mount/Haram will continue, and an informal moratorium since late 2015 on Mount/Haram visits by major Israeli political figures and Temple activists appears to be holding. However, upholding these arrangements is periodically challenged by Israeli-Palestinian tensions that grow either out of some Israeli Jews' actions to increase their presence or religious profile at or near the Mount/Haram, especially during Jewish holidays, or out of some Palestinians' anticipation that such actions might be imminent.

Successive U.S. Administrations of both political parties since 1948 have maintained that the fate of Jerusalem is to be decided by negotiations and have discouraged the parties from taking actions that could prejudice the final outcome of those negotiations. The Palestinians envisage East Jerusalem as the capital of their future state. However, the House of Representatives passed H.Con.Res. 60 in June 1997, and the Senate passed S.Con.Res. 21 in May 1997. Both resolutions called on the Clinton Administration to affirm that Jerusalem must remain the undivided capital of Israel.

A related issue is the possible future relocation of the U.S. embassy from Tel Aviv to Jerusalem. Proponents argue that Israel is the only country where a U.S. embassy is not in the capital identified by the host country, that Israel's claim to West Jerusalem—proposed site of an embassy—is unquestioned, and/or that Palestinians must be disabused of their hope for a capital in Jerusalem. Opponents say such a move would undermine prospects for Israeli-Palestinian peace and U.S. credibility with Palestinians and in the Muslim world, and could prejudice the final status of the city. The Jerusalem Embassy Act of 1995 (P.L. 104-45) provided for the embassy's relocation by May 31, 1999, but granted the President authority, in the national security interest,

¹⁷⁰ For text of the Executive Board resolution, see <http://unesdoc.unesco.org/images/0024/002462/246215e.pdf>. For information about the World Heritage Committee resolution, see Barak Ravid, "UNESCO Adopts Another Contentious Resolution on Jerusalem," *haaretz.com*, October 26, 2016.

¹⁷¹ Raoul Wootliff, "UNESCO's executive board adopts Jerusalem resolution," *Times of Israel*, October 18, 2016.

¹⁷² Statement by the Director-General of UNESCO on the Old City of Jerusalem and its Walls, a UNESCO World Heritage site, October 14, 2016.

¹⁷³ State Department 2015 Report on International Religious Freedom, Israel and the Occupied Territories; David Hulme, "Insight: Two Men, One City," *Vision*, Spring 2007; Herb Keinon, "Abbas denies the Jewish connection to Jerusalem," *jpost.com*, August 22, 2012; Amir Shoa, "Is Israel losing Temple Mount war?" *Ynetnews*, February 25, 2012.

¹⁷⁴ See, e.g., "Undivided and eternal unhappiness," *Economist*, November 8, 2014.

¹⁷⁵ Herb Keinon, "Poll: 3 in 4 Israeli Jews oppose a Palestinian state if it means dividing Jerusalem," *jpost.com*, October 20, 2014.

¹⁷⁶ Gil Ronen, "PM Calms Jordan: No Change in Temple Mount 'Status-Quo,'" *Arutz Sheva*, October 22, 2014.

to suspend limitations on State Department expenditures that would be imposed if the embassy did not open. Presidents Clinton, Bush, and Obama have consistently suspended these spending limitations, and the embassy's status has remained unchanged.

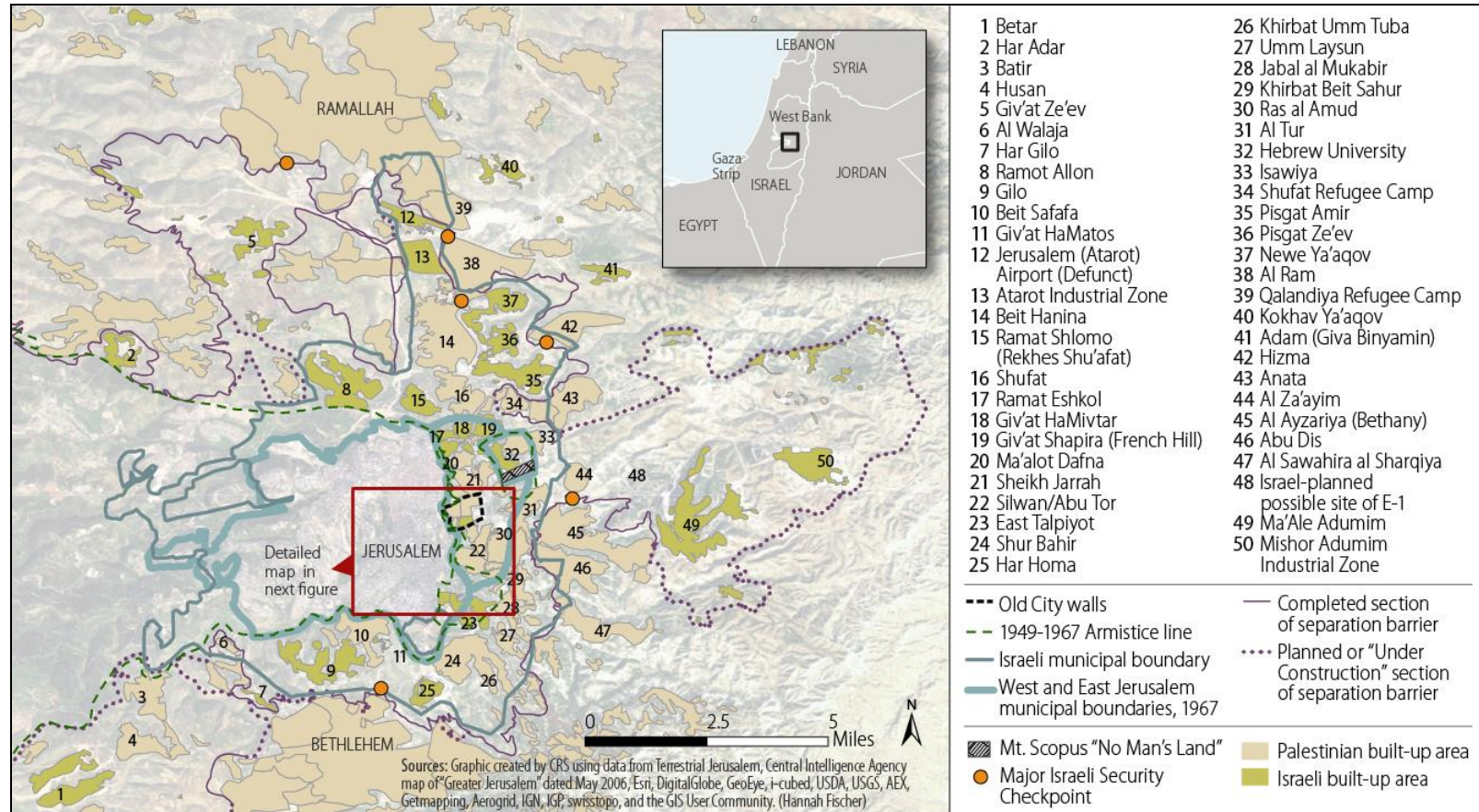
The Foreign Relations Authorization Act for FY2003 (P.L. 107-228) urged the President to begin relocating the U.S. embassy "immediately." The act also sought to (1) prohibit the use of appropriated funds for the operation of U.S. diplomatic facilities in Jerusalem unless such facilities were overseen by the U.S. ambassador to Israel; and (2) allow Israel to be recorded as the place of birth of U.S. citizens born in Jerusalem. When signing the act into law, President George W. Bush wrote in an accompanying "signing statement" that the various provisions on Jerusalem would, "if construed as mandatory ... impermissibly interfere with the president's constitutional authority to conduct the nation's foreign affairs." The State Department declared, "our view of Jerusalem is unchanged. Jerusalem is a permanent status issue to be negotiated between the parties."

The Supreme Court's 2015 ruling in *Zivotofsky v. Kerry*, which held that the President's power to recognize foreign nations trumps Congress's power to regulate passports, could have implications for Congress's constitutional authority on questions relating to the status of Jerusalem and could influence its future ability to direct the executive branch in its conduct of foreign affairs more broadly. The case involved a U.S. citizen who was born in Jerusalem, and whose parents sued on his behalf to have the State Department reflect Israel as his birthplace on his passport pursuant to P.L. 107-228.¹⁷⁷

Over successive Congresses, including the 114th, various Members have periodically introduced substantially similar versions of a Jerusalem Embassy and Recognition Act (e.g., H.R. 114 and S. 117) or thematically related bills or resolutions. Such bills and resolutions seek the embassy's relocation and would remove or advocate for the removal of the President's authority to suspend the State Department expenditure limitations cited above.

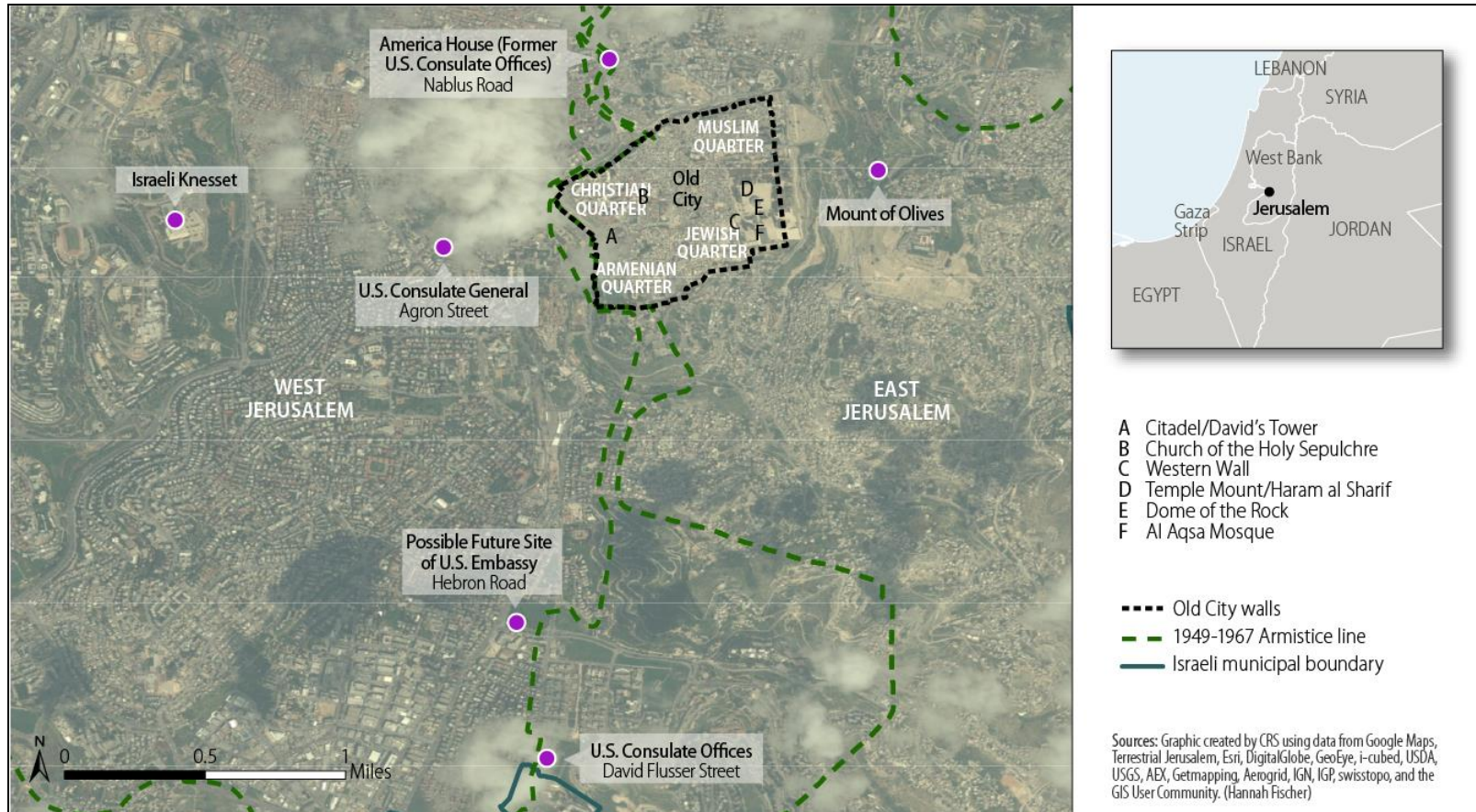
¹⁷⁷ For more about the case, see CRS Report R43773, *Zivotofsky v. Kerry: The Jerusalem Passport Case and Its Potential Implications for Congress's Foreign Affairs Powers*, by Jennifer K. Elsea.

Figure 2. Greater Jerusalem



Note: All locations and lines are approximate.

Figure 3. Jerusalem: Old City, U.S.-Relevant Sites, and Some Other Sites



Note: All locations and lines are approximate.

Settlements

General Overview

Israel has approximately 135 residential communities (known internationally and by significant segments of Israeli society as “settlements”), approximately 100 additional settlement outposts unauthorized under Israeli law, and other military and civilian land-use sites in the West Bank. In addition, depending on how one defines what constitutes a separate neighborhood or settlement in East Jerusalem, Israeli authorities and Jewish Israeli citizens have established roughly 14 main residential areas there.¹⁷⁸ Approximately 371,000 Israelis live in West Bank settlements, with nearly 212,000 more in East Jerusalem.¹⁷⁹ All of these residential communities are located in areas that Palestinians assert are rightfully part of their envisioned future state.

The first West Bank settlements were constructed following the 1967 war, and were initially justified as residential areas connected to personnel involved with Israel’s military occupation. Major West Bank residential settlement building began in the late 1970s with the advent of the pro-settler Gush Emunim (“Bloc of the Faithful”) movement and the 1977 electoral victory of Menachem Begin and the Likud Party. Existing settlements were expanded and new ones established throughout the 1990s and 2000s despite the advent of the Madrid-Oslo peace process with the Palestinians. According to the *New York Times*, since around 1999 the settler population has grown at roughly twice the total Israeli population growth rate, with the ratio having been even higher in some previous years.¹⁸⁰ Israelis who defend the settlements’ legitimacy generally use some combination of legal, historical, strategic, nationalistic, or religious justifications.¹⁸¹

The international community generally considers Israeli construction on territory beyond the Green Line to be illegal.¹⁸² One Israeli anti-settlement advocacy group claims, “In Area C [of the West Bank], a two-tier planning system operates based on ethnic-national background: a civil and representative planning system for Jewish settlers, and a military system without representation for Palestinians.”¹⁸³ Israel retains military control over the West Bank and has largely completed a separation barrier¹⁸⁴ that roughly tracks the Green Line but departs from it in a number of areas,

¹⁷⁸ Figures downloadable from Peace Now website at <http://peacenow.org.il/eng/content/settlements-and-outposts>. For information on the planning and permitting process for settlement construction, see <http://peacenow.org.il/eng/content/planningprocess>.

¹⁷⁹ CIA World Factbook estimates as of 2014.

¹⁸⁰ Jodi Rudoren and Jeremy Ashkenas, “Netanyahu and the Settlements,” *nytimes.com*, March 12, 2015.

¹⁸¹ For more information on the history of the settlements and their impact on Israeli society, see Idith Zertal and Akiva Eldar, *Lords of the Land: The War for Israel’s Settlements in the Occupied Territories, 1967-2007*, New York: Nation Books, 2007; Gershom Gorenberg, *The Accidental Empire: Israel and the Birth of the Settlements, 1967-1977*, New York: Times Books, 2006.

¹⁸² The most-cited international law pertaining to Israeli settlements is the Fourth Geneva Convention, Part III, Section III, Article 49 *Relative to the Protection of Civilian Persons in Time of War*, August 12, 1949, which states in its last sentence, “The Occupying Power shall not deport or transfer parts of its own civilian population into the territory it occupies.” Israel insists that the West Bank does not fall under the international law definition of “occupied territory,” but is rather “disputed territory” because the previous occupying power (Jordan) did not have an internationally recognized claim to it, and given the demise of the Ottoman Empire at the end of World War I and the end of the British Mandate in 1948, Israel claims that no international actor has superior legal claim to it.

¹⁸³ “Israel’s West Bank housing policy by numbers,” Agence France Presse, May 10, 2015, quoting Rabbis for Human Rights. The two agreements that define respective Israeli and PA zones of control in the West Bank (including Areas A, B, and C) are (1) the Israeli-Palestinian Interim Agreement on the West Bank and the Gaza Strip, dated September 28, 1995; and (2) the Protocol Concerning the Redeployment in Hebron, dated January 17, 1997.

¹⁸⁴ In a July 2004 International Court of Justice advisory opinion, the barrier’s construction was deemed illegal. The (continued...)

presumably to maintain convenient access to Israel for certain West Bank settlements. The barrier is intended to separate Israelis and Palestinians and prevent terrorists from entering Israel. Palestinians object to the barrier being built on their territory because it cuts Palestinians off from East Jerusalem and, in some places, bisects their landholdings and communities. It also is seen by many as an Israeli device to unilaterally determine borders between Israel and a future Palestinian state.

Given the structure of Israeli society and politics, it may be difficult to impose an external restraint on settlement activity. Various Israeli government agencies' periodic announcements of new plans for settlement construction, possible consideration of legalizing some settlement outposts, approval of subsidies and loans for some settlers, and repeated insistence that outside actors will not dictate Israeli policy on this subject appears to demonstrate the government's sensitivity to domestic concerns. Settlers affect the political and diplomatic calculus through the following means:

1. influence over key voting blocs in Israel's coalition-based parliamentary system (although they do not all share the same ideology or interests, settlers constitute about 6% of the Israeli population);
2. renegade actions to foment public protest and even violence; and
3. what they represent for some symbolically, emotionally, and even spiritually as guardians of the last frontier for a country whose founding and initial survival depended on pioneering spirit in the face of adversity.

Observers debate the extent to which Israeli settlement construction under Netanyahu is changing or seeks to change demographic realities in areas of presumed importance for border and peace negotiations—including on and around the margins of settlement blocs that Israel insists on keeping under any final-status agreement.¹⁸⁵

Some Israelis caution that the demand to provide security to settlers and their infrastructure and transportation links to Israel could perpetuate Israeli military control in the West Bank even if other rationales for maintaining such control eventually recede. Protecting settlers is made more difficult and manpower-intensive by some settlers' altercations with Palestinian West Bank residents and willingness to defy Israeli military authorities.

When ordered by Israel's court system to dismantle outposts, the government has complied. In some cases, the government has placated settler opposition to dismantlement by relocating displaced outpost residents within the boundaries of settlements permitted under Israeli law.¹⁸⁶

U.S. Policy

U.S. policy on settlements has varied since 1967. Until the 1980s, multiple Administrations either stated or implied that settlements were "contrary to international law," with President Carter's Secretary of State Cyrus Vance stating explicitly that settlements were "illegal" in 1980.¹⁸⁷ President Reagan later stated that settlements were "not illegal," but "ill-advised" and

(...continued)

text of the opinion is available at <http://www.icj-cij.org/docket/index.php?pr=71&code=mwp&p1=3&p2=4&p3=6>.

¹⁸⁵ See, e.g., Rudoren and Ashkenas, op. cit., quoting Hagit Ofran of Peace Now; Abrams and Sadot, op. cit.

¹⁸⁶ See, e.g., Joel Greenberg, "Israeli settlers evacuated from West Bank outpost following court order," *Washington Post*, September 2, 2012.

¹⁸⁷ Daniel Kurtzer, "Do Settlements Matter? An American Perspective," *Middle East Policy*, vol. 16, issue 3, fall 2009.

“unnecessarily provocative.” Since then, the executive branch has generally refrained from pronouncements on the settlements’ legality.¹⁸⁸ A common U.S. stance has been that settlements are an “obstacle to peace.” A former U.S. official has written that U.S. Administrations are “not entirely sure what to do with the fact that Israeli prime ministers of all political stripes have continued Israeli settlement building on the West Bank and construction in parts of east Jerusalem that we’d like to see become the capital of a Palestinian state.”¹⁸⁹ Loan guarantees to Israel currently authorized by U.S. law are subject to possible reduction by an amount equal to the amount Israel spends on settlements in the occupied territories. The executive branch made its most recent reduction in FY2005.¹⁹⁰

An April 2004 letter from President George W. Bush to then Israeli Prime Minister Ariel Sharon explicitly acknowledged that “in light of new realities on the ground, including already existing major Israeli populations (sic) centers, it is unrealistic to expect that the outcome of final status negotiations will be a full and complete return to the armistice lines of 1949.” Partly because of such statements from U.S. policymakers, critics routinely charge that U.S. support of Israel indirectly supports settlement activity.

Like other Administrations, the Obama Administration has faced challenges in approaching this issue. In the context of its initial attempts to restart the peace process between Israelis and Palestinians, the Administration called for Israel to totally freeze all settlement activity, including in East Jerusalem. In his speech in Cairo in May 2009, President Obama said, “The United States does not accept the legitimacy of continued Israeli settlements. This construction violates previous agreements and undermines efforts to achieve peace. It is time for these settlements to stop.”¹⁹¹ PLO leaders followed suit and made a settlement freeze a precondition for their return to the peace talks. Israel responded with a partial 10-month moratorium, but tentative efforts to restart negotiations did not take hold during that time. In February 2011, the United States vetoed a draft U.N. Security Council resolution that would have characterized Israeli settlements in the West Bank and East Jerusalem as illegal. All other 14 members of the Council, including the United Kingdom, France, and Germany, voted for the draft resolution. Susan Rice, then the U.S. Permanent Representative to the United Nations, clarified that the Administration still opposed settlement construction as illegitimate and at cross-purposes with peace efforts,¹⁹² and this remains stated U.S. policy.¹⁹³

President Obama has signed trade and customs legislation during the 114th Congress (P.L. 114-26 and P.L. 114-125) that opposes punitive economic measures against Israel (such as measures advocated by a non-governmental boycott, divestment, and sanctions [BDS] movement).

¹⁸⁸ Nicholas Rostow, “Are the Settlements Illegal?” *The American Interest*, March/April 2010.

¹⁸⁹ Aaron David Miller, “The Inside Story of U.S. Meddling in Israel’s Elections,” *Daily Beast*, December 4, 2014.

¹⁹⁰ For more information on this issue, see CRS Report RL33222, *U.S. Foreign Aid to Israel*, by Jeremy M. Sharp.

¹⁹¹ U.S. and Israeli leaders publicly differed on whether Obama’s expectations of Israel contradicted statements that the George W. Bush Administration had made. Some Israeli officials and former Bush Administration officials said that the United States and Israel had reached an unwritten understanding that “Israel could add homes in settlements it expected to keep [once a final resolution with the Palestinians was reached], as long as the construction was dictated by market demand, not subsidies.” Glenn Kessler and Howard Schneider, “U.S. Presses Israel to End Expansion,” *Washington Post*, May 24, 2009. This article quotes former Bush Administration deputy national security advisor Elliott Abrams as saying that the United States and Israel reached “something of an understanding.” The accounts of former Bush Administration officials diverge in their characterization of U.S.-Israel talks on the subject, but the Obama Administration insisted that if understandings ever existed, it was not bound by them. Ethan Bronner, “Israelis Say Bush Agreed to West Bank Growth,” *New York Times*, June 3, 2009.

¹⁹² “United States vetoes Security Council resolution on Israeli settlements,” UN News Centre, February 18, 2011.

¹⁹³ White House Press Briefing, December 5, 2014.

However, the Administration has asserted—including in a presidential signing statement for P.L. 114-125—that certain provisions in the legislation that seek to treat “Israeli-controlled territories” beyond 1949-1967 armistice lines (including West Bank settlements) in the same manner as Israel itself are not in line with U.S. policy.¹⁹⁴

In July 2016, the United States and other members of the international Quartet released a report saying, among other things, that the “continuing policy of settlement construction and expansion, designation of land for exclusive Israeli use, and denial of Palestinian development is steadily eroding the viability of the two-state solution.”¹⁹⁵ In September 2016, Quartet representatives released a statement reiterating their opposition to settlement construction and expansion, and further specifying concerns with regard to such activities “in Area C and East Jerusalem, including the retroactive ‘legalization’ of existing units.”¹⁹⁶

In response to reports that Israel had begun a process that might relocate residents of the Amona outpost, which lies on privately owned Palestinian land, to other privately owned Palestinian lands deemed abandoned by the owners,¹⁹⁷ a State Department spokesperson said in an August 11, 2016, daily press briefing:

This would represent an unprecedented and troubling step that’s inconsistent with prior Israeli legal opinions and counter to longstanding Israeli policy to not seize private Palestinian land for Israeli settlements. If this moves ahead, it would effectively create a new settlement or significantly expand the footprint of an existing settlement deep in the West Bank. This is a continuation of a process that has seen some 32 outposts that are illegal under Israeli law being legalized in recent years.

Later, in September 2016, Netanyahu released a video on Facebook characterizing Palestinian leaders’ opposition to having settlers within the borders of a future Palestinian state as tantamount to ethnic cleansing. The video prompted the following response from a State Department spokesperson:

We obviously strongly disagree with the characterization that those who oppose settlement activity or view it as an obstacle to peace are somehow calling for ethnic cleansing of Jews from the West Bank. We believe that using that type of terminology is inappropriate and unhelpful.¹⁹⁸

¹⁹⁴ See, e.g., a presidential signing statement for P.L. 114-125 (H.R. 644) at <https://www.whitehouse.gov/the-press-office/2016/02/25/signing-statement-hr-644>. For more information, see CRS Report R44281, *Israel and the Boycott, Divestment, and Sanctions (BDS) Movement*, coordinated by Jim Zanotti.

¹⁹⁵ The report, dated July 1, 2016, is available at <http://www.state.gov/p/nea/rls/rpt/259262.htm>. It also lamented terrorist attacks against civilians and Palestinian incitement to violence.

¹⁹⁶ The statement is available at <http://www.state.gov/r/pa/prs/ps/2016/09/262344.htm>.

¹⁹⁷ See, e.g., Isabel Kershner, “Bracing for Battle in a West Bank Outpost,” *New York Times*, October 7, 2016.

¹⁹⁸ “Mahmoud Abbas: It’s Israel that’s ‘carrying out ethnic cleansing,’” *Ynetnews* and Reuters, September 11, 2016.

Appendix A. U.S.-Based Interest Groups Relating to Israel

Selected groups actively interested in Israel and the peace process are noted below with links to their websites for information on their policy positions.

American Israel Public Affairs Committee: <http://www.aipac.org>

American-Israeli Cooperative Enterprise/Jewish Virtual Library:
<http://www.jewishvirtuallibrary.org>

American Jewish Committee: <http://www.ajc.org>

American Jewish Congress: <http://www.ajcongress.org>

Americans for Peace Now: <http://www.peacenow.org>

Anti-Defamation League: <http://www.adl.org>

Conference of Presidents of Major Jewish Organizations: <http://www.conferenceofpresidents.org>

Foundation for Middle East Peace: <http://www.fmep.org>

Hadassah (The Women's Zionist Organization of America, Inc.): <http://www.hadassah.org>

Israel Bonds: <http://www.israelbonds.com>

Israel Institute: <http://www.israelinstitute.org>

The Israel Project: <http://www.theisraelproject.org>

Israel Policy Forum: <http://www.israelpolicyforum.org>

J Street: <http://jstreet.org>

Jewish Federations of North America: <http://www.jewishfederations.org>

Jewish National Fund: <http://www.jnf.org>

Jewish Policy Center: <http://www.jewishpolicycenter.org>

New Israel Fund: <http://www.nif.org>

S. Daniel Abraham Center for Middle East Peace: <http://www.centerpeace.org>

Zionist Organization of America: <http://www.zoa.org>

Appendix B. Descriptions of Israeli Knesset Parties and Their Leaders

COALITION



Likud (Consolidation) – 30 seats

Israel's historical repository of right-of-center nationalist ideology; skeptical of territorial compromise; has also championed free-market policies.

Leader: Binyamin Netanyahu

Born in 1949, Netanyahu has served as prime minister since 2009 and also was prime minister from 1996 to 1999. Netanyahu served in an elite special forces unit (Sayeret Matkal), and received his higher education at MIT. Throughout a career in politics and diplomacy, he has been renowned both for his skepticism regarding the exchange of land for peace with the Palestinians and his desire to prevent Iran from acquiring a nuclear weapons capability. He is generally regarded as both a consummate political dealmaker and a security-minded nationalist. However, he has negotiated with the Palestinians (including signing the Wye River Memorandum in 1998 and allowing for the signing of the Hebron Protocol in 1997). Despite engaging in two conflicts with Gaza-based Palestinian militants in 2012 and 2014, many observers discern cautiousness in Netanyahu's decisions regarding the nature and scale of military operations.



Kulanu (All of Us) – 10 seats

New pro-secular, center-right party focusing largely on socioeconomic issues.

Leader: Moshe Kahlon

Born in 1960, Kahlon is Israel's finance minister. While serving as communications minister from 2009 to 2013 as a Likud member, Kahlon gained notoriety and popularity for liberalizing the mobile phone market and bringing down costs. He then served as welfare minister before choosing not to run in the 2013 elections and later re-emerging at the head of Kulanu in late 2014.



Ha'bayit Ha'Yehudi (The Jewish Home) – 8 seats

Right-of-center nationalist party with base of support among religious Zionists (Ashkenazi Orthodox Jews); includes core constituencies supporting West Bank settlements and annexation.

Leader: Naftali Bennett

Born in 1972, Bennett is Israel's education minister and served as economy minister in the previous government. He served in various special forces units (including as a reservist during the 2006 Hezbollah conflict in Lebanon). Bennett was a successful software entrepreneur and has lived in America. He served as Netanyahu's chief of staff from 2006 to 2008 while Netanyahu was opposition leader. He led the Yesha Council (the umbrella organization for Israeli West Bank settlers) from 2010 to 2012, and then became leader of Ha'bayit Ha'Yehudi shortly before the 2013 elections.



Shas (Sephardic Torah Guardians) – 7 seats

Mizrahi Haredi ("ultra-Orthodox") party; favors welfare and education funds in support of Haredi lifestyle; opposes compromise with Palestinians on control over Jerusalem.

Leader: Aryeh Deri

Born in 1959, Deri is Israel's interior minister and minister for Negev and Galilee development. He led Shas from 1983-1999 before being convicted for bribery, fraud, and breach of trust in 1999 for actions taken while serving as interior minister. He returned as the party's leader in 2013. Deri originally served as the current government's economy minister, but reported differences with Prime Minister Netanyahu over government dealings with private natural gas consortiums led to his resignation from that office.



יהדות התורה

United Torah Judaism – 6 seats

Ashkenazi Haredi coalition (Agudat Yisrael and Degel Ha'torah); favors welfare and education funds in support of Haredi lifestyle; opposes territorial compromise with Palestinians and conscription of Haredim; generally seeks greater application of Jewish law.

Leader: Yaakov Litzman

Born in 1948, Litzman is Israel's health minister. He was born in Germany and raised in the United States before immigrating to Israel in 1965. Educated in yeshivas (traditional Jewish schools), he later served as principal of a Hasidic girls' school in Jerusalem. He was first elected to the Knesset in 1999 and has previously served as deputy health minister and as a member of the Knesset's finance committee.



ישראל ביתנו
Israel Our Home

Yisrael Beiteinu (Israel Our Home) – 6 seats

Pro-secular, right-of-center nationalist party with base of support among Russian speakers from the former Soviet Union.

Leader: Avigdor Lieberman

Born in 1958, Lieberman is Israel's defense minister. He served as Israel's foreign minister for most of the period from 2009 to May 2015 and is generally viewed as an ardent nationalist and canny political actor with prime ministerial aspirations. He and Yisrael Beiteinu were in opposition to the current government before joining it in May 2016. Lieberman was born in the Soviet Union (in what is now Moldova) and immigrated to Israel in 1978. He worked under Netanyahu from 1988 to 1997. Disillusioned by Netanyahu's willingness to consider concessions to the Palestinians, Lieberman founded Yisrael Beiteinu as a platform for former Soviet immigrants. He and other members of his party have faced corruption allegations, but he was acquitted in a 2013 case.

OPPOSITION



המחנה
הציוני

Zionist Union – 24 seats

Joint list of Avoda (Labor) and Ha'tnua (The Movement). Labor is Israel's historical repository of social democratic, left-of-center, pro-secular Zionist ideology; both Labor and Ha'tnua are associated with efforts to end Israel's responsibility for Palestinians in the West Bank and Gaza.

Leader: Yitzhak Herzog

Born in 1960, Herzog was elected leader of the Labor party in 2013 and, for the March 2015 elections, combined with Tzipi Livni of Ha'tnua to form the Zionist Union. His father Chaim served as an Israeli general, diplomat, and president. Herzog spent part of his early life in New York, and later served in Israeli military intelligence and embarked on a career in law in Tel Aviv. He has headed a number of ministerial portfolios in past coalition governments (housing, welfare, diaspora, tourism). As leader of the opposition, Herzog seeks to draw contrasts with Netanyahu on his positions regarding management of the economy and relations with the United States, the Palestinians, and the international community.



القائمة
المشتركة

Joint List – 13 seats

Joint list of four Arab Israeli parties (Hadash, Ra'am, Ta'al, and Balad) that include socialist, Islamist, and Arab nationalist political strains.

Leader: Ayman Odeh

Born in 1975, Odeh is the leader of the Joint List and of Hadash, an Arab Israeli socialist party. An attorney, he served on the Haifa city council before becoming Hadash's national leader in 2006. Supports a more democratic, egalitarian, and peace-seeking society, and has sought protection for unrecognized Bedouin villages and advocated for drafting young Arab Israelis for military or civilian national service.

**Yesh Atid** (There Is a Future) – 11 seats

Pro-secular, centrist party focusing largely on socioeconomic issues.

Leader: Yair Lapid

Born in 1963, Lapid served as Israel's finance minister from 2013 until the coalition government collapsed in December 2014. Like his father Tommy, Lapid has parlayed a journalistic career into electoral success. Lapid's effort to end the widespread exemption from military service for Haredim, one of the key organizing principles for the government, was enacted into legislation in 2014, though it remains largely unimplemented. Lapid's popularity fell during his time as finance minister, presumably because the government faced continuing challenges in improving cost-of-living and economic inequality issues while maintaining fiscal discipline. 2016 polls indicate that Lapid has regained popularity, largely at the expense of the Zionist Union.

**Meretz** (Vigor) – 5 seats

Left-of-center, pro-secular Zionist party that supports initiatives for social justice and for peace with the Palestinians

Leader: Zehava Gal-On

Born in 1956, Gal-On became Meretz's leader in 2012 and was first elected to the Knesset in 1999. She previously directed the B'Tselem human rights organization. She was born in the Soviet Union (in what is now Lithuania) and immigrated with her family to Israel in 1960.

Source: All photos and party logos, and much of the information in this table, were taken from Open Source Center, "Israel—Election Guide 2015," LIL2015022454931245, February 25, 2015.

Author Contact Information

Jim Zanotti
Specialist in Middle Eastern Affairs
jzanotti@crs.loc.gov, 7-1441